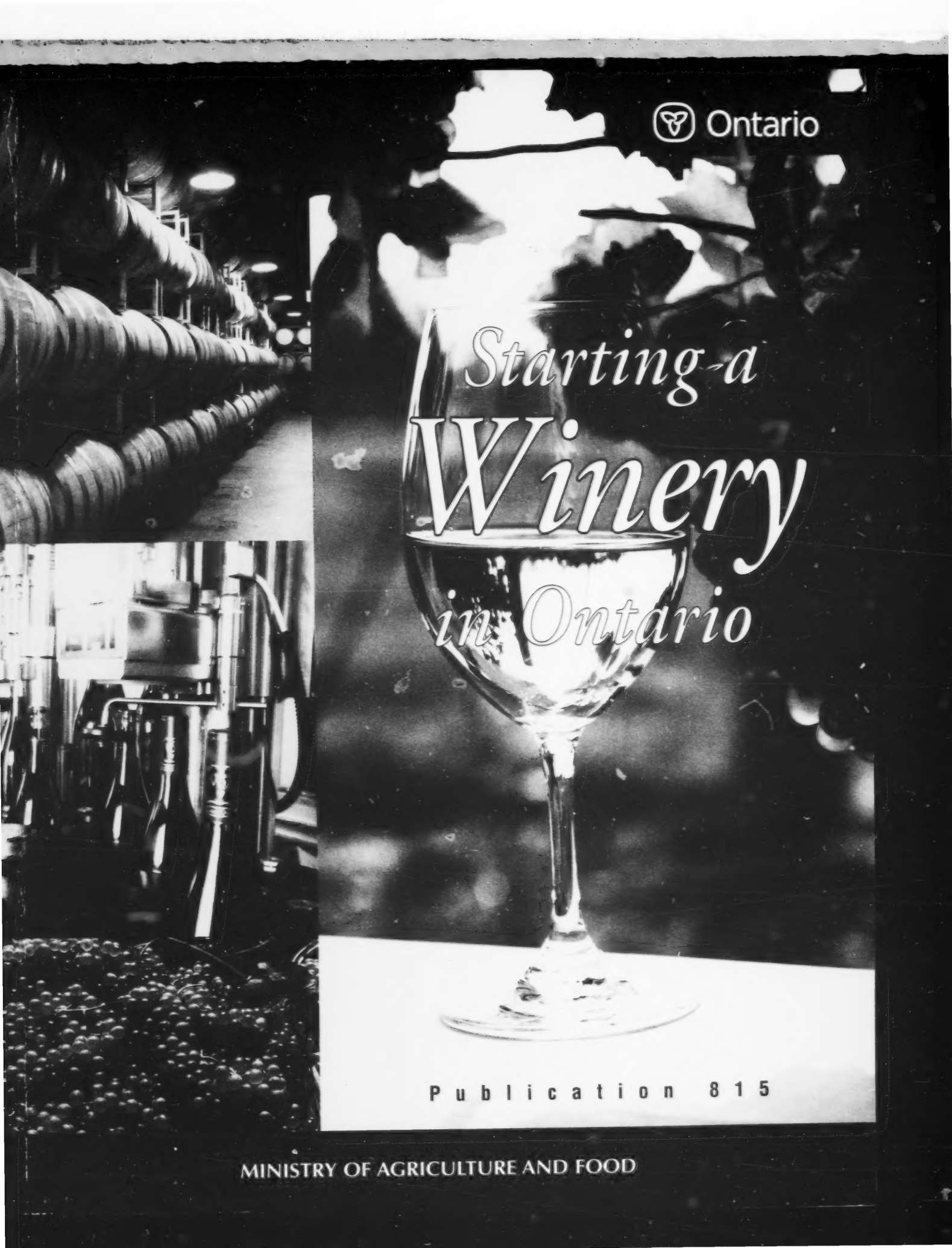
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Starting a Winery in Ontario

Editors

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CHAPTER 1: *Introduction to the Wine Industry*

Starting a Winery in Ontario is intended to serve two purposes:

- to help prospective winemakers understand the complexities of managing a commercial wine business in Ontario; and
- to guide commercial vintners through the process of preparing a business plan for establishing and operating a commercial winery in Ontario, by providing a step-by-step reference to the rules, regulations, agencies and policies that govern the establishment and operation of a winery and winery retail store (WRS) in Ontario. It will also give the points of contact for the organizations that are necessary to start, grow and operate your winery business.

This chapter provides introductory information for prospective new winery owners, including a chart of steps involved. Chapter 2 outlines the importance of business planning, while Chapter 3 describes different types of business structures and provides a preliminary introduction to regulatory considerations, which are described in more detail in Chapter 4. Chapter 5 deals with quality control, while Chapter 6 provides information concerning capital investments, equipment and financial planning.

Marketing, usually recommended to be the first part of the business plan (outlined in Chapter 2), is so important to a new enterprise, it has been accorded its own chapter (Chapter 7). Finally, Chapter 8 outlines taxes and duties involved in the wine industry. Tables throughout this guide provide useful summaries of information in each chapter for more easy reference.

Organizations in the Wine Industry

The following descriptions are for introductory purposes only. Organizations are described in more detail in Chapter 4, while contact information is provided in the Appendices.

Regulatory Organizations

- **Alcohol and Gaming Commission of Ontario** (AGCO) is a regulatory agency for the beverage alcohol industry. It reports to the Ontario Ministry of Consumer and Business Services (MCBS). AGCO issues licences, permits and authorizations pertaining to the sale, service and consumption of beverage alcohol.
- **The Liquor Control Board of Ontario** (LCBO) exists under the authority of the Ontario *Liquor Control Act* to control the distribution of beverage alcohol in Ontario. It is responsible for laboratory testing, pricing mechanisms, packaging, importing and the operation of LCBO stores across the province.
- **Vintners Quality Alliance Ontario** (VQA Ontario) is a not-for-profit corporation designated by the province of Ontario as the wine authority to administer the Ontario *Vintners Quality Alliance Act, 1999*. It has the power to designate Viticultural Areas (VAs) and to define and set the quality standards that a VQA wine must meet in order to qualify.
- **Ontario Farm Products Marketing Commission** (OFPMC) is an agency of the Ontario Ministry of Agriculture and Food (OMAF). It administers the *Farm Products Marketing Act*. OFPMC issues licences to process grapes and certain other fruits that are controlled by marketing boards.

Appendix 1 provides contact information and Web sites for these organizations.

Organizations for Winemakers

- **Ontario Grape Growers' Marketing Board** (OGGMB) represents all growers who sell grapes for processing. A letter of confirmation from the Board is required as a condition of the Manufacturer's Liquor Licence.
- **Ontario Tender Fruit Producers' Marketing Board** (OTFPMB) represents all growers of peaches, pears, plums, prunes and cherries for either fresh or processing markets. A letter of confirmation from the Board is required as a condition of the Manufacturer's Liquor Licence.
- **Fruit Wines of Canada (Ontario)** (FWC) is an association of Canada's leading fruit wine manufacturers. The Ontario chapter is called Fruit Wines of Ontario. Fruit Wines of Canada has created an official quality standard for Canadian fruit wines, called Quality Certified (QC).
- The **Wine Council of Ontario** (WCO) is a non-profit trade association of commercial wine manufacturers in Ontario. It represents the Ontario wine industry on federal and provincial regulatory and trade issues. It administers marketing programs on behalf of the wine industry and works closely with the LCBO on promotional initiatives for its retail stores.

Appendix 2 provides contact information and Web sites for these organizations.

Tourism and the Ontario Winery

Wineries play an important role in attracting tourists to their regions. It is estimated that over 500,000 people visit Ontario wineries every year. Winery tours and tastings are popular events around the world. The more attractive the winery, and the more interesting the selection of wines, the more popular the winery will be.

Areas with a high concentration of wineries can create a special area of interest for tourists. The Niagara Wine Route, for example, attracts hundreds of thousands of visitors every year. A group of fruit wineries in southwestern Ontario have organized "the Wine-ding Trail," a self-guided tour of member wineries. Other wineries have themselves listed on tourism maps that promote special features in their districts.

Wineries can increase their visibility by having their products on the wine lists of local restaurants and by participating in local tourism events. Special events held at the winery can also attract visitors from both local and adjoining regions.

Wine regions are expanding in Ontario. The development of fruit wineries has expanded the scope and level of interest in locally produced wines. Ontario consumers are drinking more Ontario-grown wines than ever before. Welcome to the dynamic world of Ontario wineries.

Steps in Starting a Winery Business

Starting a winery is a complex process. In addition to the elements involved in developing any business, the winery business involves regulations, licences, authorizations and approvals for the manufacture, management and sale of a regulated, restricted product.

Table 1-1 summarizes the steps you will need to take to establish a successful winery business in Ontario. Some steps apply to businesses; some apply to the manufacture and sale of wine; some apply to winery retail stores that allow you to sell your wine to consumers. A few apply only if you are making fortified or specialty wine products, and others if you are serving wine and meals in a restaurant or "tied house" associated with the winery.

The most important thing to remember is that beverage alcohol is a regulated product. All of the steps you take to control quality and safety will help you compete in this highly competitive industry. As you read

this book and become familiar with the processes involved in building and operating a winery, you will see how all of these steps fit into your personal plan for the winery you've always wanted to own.

Table 1-1: Steps in Starting a Winery

Activity	Document	Agency
Examine the Concept	Decide Business Organization Type	Owner
	Strategic Plan	Owner
	Conduct Feasibility Study and Analysis	Owner
	Develop Business Plan	Owner
Develop the Business	Register the Business	MCBS
	Request for Business Number	CCRA[1]
	Zoning, Building, Occupancy, etc. Permits	Munic.
Prepare to Manufacture Wine	Licence to Process Grapes	OFPMC
	Licence to Process Tender Fruit	OFPMC
	Establish Quality Control Process	Owner
Sell Wine	Manufacturer's Liquor Licence Application	AGCO
	Ontario Vendor's Permit	MOF[1]
	Product Management Policies and Procedures	LCBO
Manufacturing Procedures	VQA Late Harvest Product Monitoring Form	VQAO
	LCBO Site Inspection Application	LCBO
	Laboratory Guidelines for Chemical Analysis	LCBO
Warehousing	Policy for Off-site Warehousing*	LCBO
Winery Retail Store	Winery Retail Store (WRS) Authorization	AGCO
	Retail Guidelines	AGCO
	Direct Delivery to Licensees Authorization	LCBO
Hire an Agent	Representative's Licence*	AGCO
VQA Approval	VQA Membership Application	VQAO
	VQA Product Approval Application	VQAO
Design Labels	Request for Label Examination	LCBO
Product Listing (LCBO)	Application for Listing*	LCBO
Tied House	Application and Guide for a New Liquor Sales Licence (Tied House)*	AGCO
	Food Premises Regulation Approval*	MOH[1]
	Smart Serve® Training*	
Marketing	Advertising Guidelines	AGCO
	Pricing Information — NDRP[1] and Mark-ups	LCBO
	Signage and Entrances	Munic.
Delivery	Direct Sales to Licensees Authorization (Winery Only)	LCBO
	Direct Delivery to Licensees Authorization (WRS)	LCBO
	Third-party Carrier Authorization	AGCO
Reporting	Monthly Statement of Holder of Wine Licence	AGCO
	Annual Statement of Holder of Wine Licence	AGCO
	Winery Audit	AGCO

continued on page 8

Table 1-1: Steps in Starting a Winery (continued)

Activity	Document	Agency
Levies	Bottle Levy	LCBO
	Environmental Fee	LCBO
	Gallonage Fee	AGCO
	WRS Administration Fee	AGCO
Taxes and Duties	Application for Excise Tax Licence	CCRA
	Excise Remittance Form	CCRA
	Goods and Services Tax (GST)	CCRA
	Ontario Retail Sales Tax (ORST)	CCRA
	ORST Vendor's Permit and Purchase Exemption Permit	MOF

[1] *NDRP (Non-Discriminatory Reference Price); MOF (Ontario Ministry of Finance); MOH (Ontario Ministry of Health); CCRA (Canada Customs and Revenue Agency).*

[*] *Usually not required for a new winery.*

CHAPTER 2: *Planning Your Winery Business*

You are about to embark on a business venture that will cost hundreds of thousands, if not millions, of dollars. Such a venture should not be entered into hastily, without adequate forethought and planning. One good rule of thumb suggests that *ten percent of the cost of establishing a business should be spent on planning for its success.* The rewards will repay the time and financial resources spent in planning many times over.

Developing and operating a winery is made up of four components: planning; business management; winemaking; and marketing.

Without good wine to sell, no winery will be successful, but careful business planning and sound management are also important to success.

The following pages describe the basics of business planning theory and offer practical advice to help new winery owners improve their prospects of financial and personal success through sound decision making and analysis.

Business planning falls into three categories:

- the Strategic Plan;
- the Feasibility Analysis; and
- the Business Plan.

The Strategic Plan

Strategic planning is the process of determining what you want your winery business to look like some years down the road, and then realistically planning how to make that happen. It results in a business *strategy* that enables you to reach your objectives.

This is a time in the planning process that calls for both imaginative thinking and honesty. It is an opportunity to visualize the business venture and lifestyle you've always dreamed of, and then modify it by carefully considering what you can realistically expect to achieve in a given timeframe. The strategic planning exercise can be a great deal of fun. It should involve the entire family and any business associates and significant employees that will be affected by the outcome. After all, their lives will also be affected.

There are six main components to the strategic plan:

- the vision statement;
- the mission statement;
- strategic analysis;
- analysing critical issues;
- developing your strategy; and
- implementing your strategic plan.

The Vision Statement

How do you want your business to look in five years? in ten years? Try to visualize the kind of winery that you would be proud to own and that you can optimistically hope to achieve. Visualize the kind of product you want to provide for your customers and the services you wish to offer.

Your vision statement may read something like this:

> ***Jones Estates Winery will make and sell the finest wines in the Trout River Valley.***

From the above, it is clear the Joneses see themselves as makers of the highest-quality wines in their area. (Note that they have not yet defined how they are going to make that happen or what their marketplace will be.)

The vision statement should not be more than one sentence and two or three lines long. *Print it neatly, frame it and place it on your office wall.* Look at it daily, throughout the planning process and as you conduct your business. It will act as a guide in daily decision making. If any decision will not contribute toward achieving that vision, you should assess whether it is a correct decision. The vision statement might form the first sentence of the executive summary of your business plan.

A more commercial vision statement might read:

> ***Smith Estates Winery will net its owners a wealthier lifestyle from the fifth year onward.***

While this vision may be hard to achieve, it may be an honest declaration of the Smiths' intent to create a winery that is financially rewarding.

The Mission Statement

The mission statement outlines what your preferred course of action will be, who your preferred customers will be and how you will achieve your vision — in other words, what you plan to do, for whom and *why you are uniquely valued.*

It reflects your winery's values, culture and philosophy, and provides a focal point against which all future planning exercises or strategic directions can be checked. Don't be surprised if you find yourself modifying your mission statement several times during the planning process as you discover new realities.

The mission statement may read something like this:

> ***Jones Estates Winery will build a reputation for quality and service that exceeds the expectations of discerning customers.***

This statement indicates the Jones's intention to develop an elite winery and to attract customers who are willing to pay the extra price for a fine wine.

A competing winemaker might produce a different mission statement:

> ***Smith Estates Winery will make and serve quality wine to satisfy both the palate and the budget.***

This statement identifies the Smiths' target customer as a price-conscious, but discerning, local customer who seeks wines for all occasions. It values the local, everyday buyer and repeat business.

Strategic Analysis

Strategic analysis is an in-depth look at factors that will help you or hinder you in achieving your vision and carrying out your mission. It involves gathering facts from many sources and confirming that this information is correct.

There are many ways of conducting this analysis, but one popular method of ensuring that all areas are considered is through **SWOT analysis** (Strengths, Weaknesses, Opportunities and Threats).

Strengths are the *internal features* of your business organization that help it to succeed. Here are some examples:

- Susan knows a lot about winemaking and won't need a lot of training.
- Joe has strong analytical skills.

- Mary is good at meeting people and would excel at running the store.
- We have a good capital reserve.
- We have an excellent orchard and/or vineyard.
- We have a building that can easily be converted to an attractive winery retail store.

Weaknesses are *factors within your organization* that may prevent you from achieving your goals. They indicate the areas where you may have to hire outside expertise, arrange training for existing people or avoid giving responsibilities to certain people. Some examples are:

- Nobody is particularly good at accounting or budgeting.
- Sam often makes snap decisions and holds to his opinions without much analysis.
- We do not have all of the best grape varieties.
- We have very little equity.
- Our winemakers have no experience in commercial winemaking.

Opportunities are *external factors* that may benefit your business. You can take advantage of these factors to improve your competitive position. Here are some examples:

- We are located in a Designated Viticultural Area.
- We are located on a busy commuter route.
- There are good tourism initiatives in the area.
- There is no other winery serving this community.

Threats are *outside influences* over which you have very little control. They may impede your business seriously, or even prevent you from having a winery at all. Consider these examples:

- A short growing season makes fruit production difficult.
- The municipal council refuses to grant new business licences.
- We can't get enough financing to proceed with our plan.
- There is no fruit grown within our area, but regulations require that we use locally grown fruit.

The SWOT analysis is not an exercise that is done once and for all time. As the planning process progresses, new winery owners will continue to gather information. Returning to SWOT analysis on a continuing basis will continue to build credibility and confidence into your final result.

Analysing Critical Issues

Which of the above issues has the greatest impact, positive and negative, on your ability to establish the winery of your dreams? Rank them according to impact.

- Will any of these issues make it difficult, or impossible, to succeed?
- How great is the risk?
- Have we been honest about the abilities of our working partners?
- Do the *strengths* and *opportunities* outweigh the *weaknesses* and *threats*?

Developing Your Strategy

Consider what effect each of these SWOT factors has on your ability to establish your winery and what you can or cannot do to take advantage of the strengths and opportunities, or to overcome the weaknesses and threats. The chart provided in Table 2-1 may be useful.

It is important to look for creative ways to solve problems and take advantage of positive circumstances. Ongoing, objective analysis of each situation is important to developing successful business strategies.

Table 2-1: SWOT Factors, Effects and Strategies

	SWOT Factor	Effect	Strategy
S	We have an excellent orchard/vineyard.	Reliable source of raw material at the cost of production.	Look at options for adding value: winery, juice supply, farm store, etc.
S	Existing buildings will convert into winery and store facilities easily.	It won't cost a lot to construct this part of the winery.	Proceed with the rest of the planning.
W	We don't have good accounting skills.	Our records don't give us enough information on which we can base decisions.	Hire a good management accountant and set up a workable system.
W	Susan makes excellent wine but has no experience with large volumes.	Our first wines could be not well accepted or production of good wine could be inconsistent.	Send Susan for training. Hire a journeyman winemaker in the interim. Delay start-up.
O	Located on busy commuter route.	Customers should be easy to attract.	Go to council for all permits and zoning ruling. Start to design a sign announcing new winery location.
O	There is no other winery serving this community.	We should have little competition for a specialty winery.	Plan a market survey to find out how a winery will be received in the community.
T	Bank won't finance because of low equity.	Prevents us from buying equipment.	Look for used equipment. Start smaller. Look for another source of credit. Look for a financial partner.
T	Can't grow fruit well because of climate.	Cannot meet AGCO requirement for on-site fruit growing.	Look for new location in a fruit-growing area or an existing orchard/vineyard.

Implementing the Strategic Plan

Now it's time to turn the strategy into a work plan. Each of the strategies listed above is made up of a number of tasks that need to be done. Each task requires time, allocation of human resources and a timeframe in which to complete it. This is where the hours of thought, discussion and argument that go into planning begin to pay off. The order of events listed below will help you to get started:

- List the tasks that arise from the strategies listed.
- Establish timeframes for completion of tasks and specific results expected.
- Delegate tasks to those who are most suited to the job.
- Set meeting times to monitor the progress of each party, to solve problems and to review the plan.
- When the plan is complete, celebrate with a good dinner and a glass of fine wine, and congratulate everyone on a job well done. It's now time to examine the feasibility of the idea.

The Feasibility Analysis

Take another look at your vision statement. Is it possible, given your resources and needs, to achieve your dream? That's what the feasibility analysis should tell you. It will also help you to collect most of the information you will need for your business plan, and give you greater confidence that your new winery will fulfil your expectations and vision.

There are five steps to a complete feasibility analysis:

- demand or market analysis;
- technical or production analysis;
- cost analysis;
- sensitivity analysis; and
- financial analysis.

Demand Analysis

The demand analysis might tell you that, in your first year of operation, you can reasonably expect to sell 1,000 cases of Riesling, 1,000 cases of Chardonnay and 500 cases of Cabernet, all at $12 a bottle. It might also reveal that there is not a very good market for Pinot Noir in your area, and that you can expect to increase production by 50 percent in the second year and 10 percent in each of the next three years.

Technical Analysis

The technical analysis will identify the process and equipment necessary to establish a commercial winery of the size identified in the demand analysis, and what it will cost. It could include the analysis of human resources already completed in the SWOT analysis. It might also identify whether your location is suited for growing the type of wine grapes or fruit you need to grow to meet your market demand.

Cost Analysis

Record all of the costs identified in the other analyses to give you accurate start-up and operating costs for your winery and/or winery retail store.

Sensitivity Analysis

This analysis looks at the "what-ifs" of the planning process. For example, what would be the effect on sales if your winery was located on road A instead of road B, or if you charged $14 a bottle instead of $12, and it reduced sales by five percent?

Financial Analysis

Look at your vision and mission statements again. Will this plan fulfil your economic goals? What income and cash flow will your winery yield? What return can you expect from your investment?

The Business Plan

Starting a winery requires a major investment of time, money and personal initiative. The high capital investment, the length of time before cash flow begins and the slow turnover of inventory means that you must be able to withstand a long period of time without income, while paying interest on the capital borrowed.

A working business plan will help you in several ways:

- It will ensure that you have investigated all aspects of the business *before* making the investment. Not all success factors are financial: a complete business plan will examine all factors, such as marketing skills, human resources management and personal attributes needed to develop and operate a winery. Keeping an eye on the pitfalls and options available will help to avoid the traps that can sink a new business venture in the first, vulnerable years of life. The vision and mission statement should be kept front and centre during the process. The business plan will be the fulfillment of these two statements.
- Lenders will insist on it. Money-lenders want to know that loans will be paid back and that they will receive a good return on their investment. Owners should want the same thing; making a good plan on paper will assure all parties that their investments are secure.
- The business plan will act as an operational guide for the new business. Checking the plan frequently will let you know if your progress is on target, and may give clues to problems that have arisen. This type of plan is more comprehensive than is required by the Alcohol and Gaming Commission of Ontario (AGCO) for the Manufacturer's Liquor Licence, but it is of utmost importance to lenders, partners and owners.

The business plan is made up of *four smaller plans*, plus an executive summary. They are:

- the marketing plan;
- the human resources plan;
- the production plan; and
- the financial plan.

Marketing Plan

No business can succeed without effective marketing, and wineries rely very heavily on a good marketing strategy. Because all aspects of a winery business are related to the marketing of a fine wine, the marketing plan is usually recommended to be the first plan developed in the business plan. Given its importance, marketing is described in its own chapter (see Chapter 7, Marketing Your Winery).

Human Resources Plan

Even the smallest of wineries rely on different people to perform different functions. From the winemaker to the store operator and sales clerk, each person must know what is expected of them and how they will be rewarded. It is critical to the success of any business that all managers can work well together, toward a common purpose, and can solve disagreements amicably and in the best interests of the business.

The human resources plan will also indicate how all areas of the business will be staffed and the skills needed to perform those tasks. Rates of compensation, bonuses and incentive plans should all be spelled out.

Training plans for key employees should be listed. Frequency and timing of staff and board meetings should be indicated.

Production Plan

You will need to know what equipment is required, how much space it will take up, how the process of making the wine and getting it ready for buyers will take place, and what it will all cost. Here you will outline the system of production from vine to customer. The layout of the system, including floor plans, storage areas, equipment sizes and costs, are spelled out and usually include a floor plan.

Capital and operating costs are calculated and recorded in the financial plan (see below), while the human resources needed are recorded in the human resources plan (see above).

Financial Plan

As you transfer the costs and returns expected from the other plans to this one, you will learn whether your winery will be financially successful. The financial plan includes a *pro forma income statement, balance sheet*, and three to five years of *projected cash flow* statements. You will need to list anticipated capital purchases, sales, a financing schedule and a debt-servicing worksheet. Many financial plans also include statements of *return on investment* for both the owner and lenders. This will be discussed in more detail in Chapter 6, Financial Plan.

Executive Summary

This is a one- to two-page summary of the business plan that is placed at the beginning of the plan. It gives lenders and others a quick overview of how the business will function and how successful it should be.

Each part of the business plan is linked to the other parts of the plan. For example, the names of people involved in marketing or wine production will appear in the human resources plan, while the associated costs will be recorded in the financial plan. Similarly, the marketing costs and returns are summarized in the financial plan. This interdependence helps to ensure that all considerations have been assessed.

To satisfy the needs of the financial institutions and to meet AGCO requirements for a Manufacturer's Liquor Licence, you will also need to include **resumés of owners, partners and key personnel; names of professional advisors; letters of reference** and other supporting documents.

Business plan forms and computer templates are available from most banks and in software stores. Many of these are simply financial plans and, while important, leave out many factors important to success, such as marketing, human resources and production planning and analysis. Complete business planning templates are available, though, which are more helpful in organizing material and preparing the final plan. Consider completeness of the planning process, and not the cost of the template, when selecting a business planning template.

Business plans are most effective if written by you, the owner of the business. This way you will understand the details of the plan and how it relates to day-to-day operations. You will also be able to respond to any difficult questions the lender asks. Table 2-2 below provides a chart of the components of a complete business plan.

That said, using a management accountant, chartered (tax) accountant and lawyer to assist in the planning process will help to reduce errors and to ensure that tax and legal considerations are accurately portrayed. If the task of writing the business plan is delegated to these professionals, it is absolutely vital that the owner provide them with accurate and complete information and that a strong line of communication is kept open among all parties involved in the business planning process.

References

OMAF Factsheet 92-072, *Preparing Business Plans; How to Prepare a Business Plan for a Small Business*, Ontario Ministry of Enterprise, Opportunity and Innovation, available at Business Enterprise Centres (see the blue pages of your local telephone directory).

Table 2-2: Components of a Complete Business Plan

1. Executive Summary	
The opportunity for profit and returns	Financial highlights
Brief description of products and markets	Required financing and payback period
Experience and expertise of management team	Return on investment
2. Table of Contents	
Complete this after the plan has been written	
3. Mission Statement of the Winery	
See the Strategic Plan	
4. Business History	
Date of incorporation	Financial highlights
Present shareholders	Present financing
Past successes of shareholders	Security offered to lenders
5. Key Objectives, Competitive Strategies	
What the winery plans to achieve in three to five years	Strategies for achieving market share
Shorter-term goals	
6. Marketing Plan (See Chapter 7)	
Product	***Internal Analysis***
Product description	Benefits of your products
Unique features, selling points	Customer service strategy
Product development policies	Competitive advantage
Product profitability	***Pricing***
Competitor Analysis	Price vs. quality sensitivity
Major competitors	Pricing strategy
Percentage of market	***Distribution System***
Strengths and weaknesses	Delivery process and cost
Prices	***Promotion***
Major customers	Advertising and promotion strategies and costs
	In-store promotional features and ambience
	Costs

Table 2-2: Components of a Complete Business Plan (cont'd)

7. Production Plan	
Design of layout	Space requirements
Work flow	Raw materials supply
List of equipment needed	Volume estimates

8. Human Resources Plan
Management personnel, skills inventories and employment histories
Labour requirements
Estimates of employee and management costs

9. Financial Plan	
Key forecasting assumptions	Multi-year cash flow projections
Cost-of-production schedule	Return on investment statement
Pro forma income statement	Repayment plan

10. Risk Management Plan	
Analysis of risk factors	Health, safety and relationship considerations
Quality control features	Insurance protection

Adapted from: OMAF Publication 795, Food Processor's Reference Manual.

Managing Risk

The strategic plan, feasibility analysis, business plan, market surveys and the like are all *risk management tools*. They are things that maximize your chances for success and minimize the probability and extent of losses. It's better to find out that an idea is bad on paper than to have problems show up in your bank account.

Risk is defined as the percentage chance that a person might lose something as a result of a decision or circumstance, the extent of that loss and the effect of that loss on the business and the owners, including family members. People vary in their willingness to take risks, as well as in their ability to sustain losses, so it is important for an owner to foresee possible hazards or places where losses might occur to plan to avoid or limit risks by minimizing risk factors and, finally, insure against the effect of an unforeseen event.

While risk factors are different for different types of businesses, they are similar in several ways. They can be categorized into three groups:

- systemic risks;
- business-related risks, not controllable; and
- business-related risks, controllable.

Systemic Risks

These are the risks that exist because of the system in which you operate. They could include the legislative framework, weather and other external factors over which you have very little control. In many cases, though, you can do some things to prevent, or minimize, the effect of these risk factors; for example, you can participate in industry organizations that work to secure the future of the industry.

Business-related Risks, Not Controllable

There are risk factors within the business community over which the entrepreneur has no control. Factors such as interest rates or strategic moves by competitors can have serious impacts on a winery. However, the new winery owner can take steps to reduce the probability that these risks will occur or to lessen the effect on the winery.

For example, by making a wide variety of high-quality wines at reasonable prices, making your winery retail store attractive and holding interesting special events, you can make it more difficult for a competitor to lure away your customers.

Business-related Risks, Controllable

Other risk factors are completely under the control of the entrepreneur. Many "accidents" that happen — lack of quality control in production and other production-related risks — are simply the result of the managers overlooking inadequate management practices or unsafe working conditions.

For example, a lawsuit could cripple a winery. Keeping debris cleaned up and floors clean and dry will reduce the chances that a worker or customer will sustain an injury on your property. Liability insurance will protect you further.

Table 2-3 lists *some examples of risk factors* that can threaten the viability of a winery, how they can be prevented and how their effects can be minimized. Many other factors have a financial impact on the winery. It is the job of a business planner to identify those factors, to put in place a plan to prevent them and to devise a contingency plan to minimize their effects.

Table 2-3: Managing Risk Factors

Risk Factor	Reason	Prevention	Minimize Effect
Unable to sell enough wine to cover costs	Wine is priced too high	Make better quality wine Hire a good winemaker	Find higher-end market or reduce price
Unable to sell enough wine to cover costs	Customers not stopping at wine store	More attractive store More effective advertising Other outlets (local restaurants, outlets, LCBO) More accurate marketing plan and competitive analyses	Special events, festivals Secure more licensed outlets
Unable to manage	Sole owner died	Have workable succession plan Share management responsibilities and information	Life insurance Trained management team Business insurance
Lawsuit	Customer broke ankle on premises	Safety training for all staff Regular safety inspections Keep visitors away from equipment, working areas	Adequate liability insurance Have a corporate business structure in place
Lawsuit	Foreign material found in bottle of wine	Quality control practices	Product liability insurance Have a corporate structure in place
Unable to meet financial commitments	High-volume buyer of product went bankrupt	Ensure credit buyers are financially secure Sell on cash-only basis	Bad debt insurance Rely on several buyers
Unexpected financial obligation	Partner quits and demands half the value	Comprehensive partnership agreement	Buy-sell agreement
Unexpected financial obligation	Spouse sues for divorce	Treat him/her well	Have matrimonial home separate from winery facility Have spouse a business partner with all agreements Marital agreement
Lost time due to injury	Worker injured on job	Safe working conditions and habits	Complete Workers' Compensation coverage
Failure of juice supply	Weather caused crop failure	Have alternative supply sources	Crop insurance Grower contracts
Sales drop dramatically	Competitor establishes nearby	Position winery to attract target market	Reposition product by labelling, advertising, added services and programs, improved quality, etc.

Insuring Your Business

The role of insurance in a risk management plan *is to minimize the extent to which a negative risk* factor will jeopardize the business. Vineyard and orchard owners understand the usual insurance coverage for fire, wind and hail. However, liability insurance is less well understood, although it is increasingly important as the public is invited onto premises on a regular basis.

In a successful lawsuit, personal assets such as a house or car can also be seized. Under a corporate structure, the owner's liability is restricted to the assets of the corporation, *unless* the owners have personally guaranteed the liabilities of the company or the claimants can prove negligence on the part of the owners or management team.

Executives and directors of corporations should understand completely the consequences of personal guarantees, and the extent of their personal liability in the course of making decisions and managing the company.

The question of how much insurance to buy remains an independent decision for the entrepreneur to make:

- What is the chance that one of these risk factors will occur?
- If it does occur, how will it affect the operation of the business?
- If it does occur, how will it affect the viability of the business?
- How able and willing am I and my business to withstand this setback?

As a general rule, an entrepreneur should buy the amount and type of insurance that will protect against any loss that the business or person cannot afford or is not willing to assume.

Many general insurance brokers and agents carry policies that will protect against unforeseen liabilities. A summary of the types of insurance policies that are available is provided below.

Life Insurance

Partners and company executives and directors should carry life insurance on each other as a complement to their partnership agreement. This insurance allows the remaining partner to buy out the interest of the deceased and to improve the equity position of the company or to find a new partner.

Disability Insurance

Disability insurance for key personnel is as important as life insurance. If important personnel suffer an accident or illness that render them unable to work, disability insurance can guarantee them an income for the period of time they are off the job, and provide for their replacement. The benefit of disability insurance is also an added incentive that can help attract highly skilled personnel. The cost of this type of insurance can be covered in full by the employer or divided between the employer and employee.

Life and disability insurance may be packaged together as Partnership Insurance, tailored to the specific needs of the partnership or company.

Personal and Corporate Liability

Liability insurance provides coverage against lawsuits by employees or the general public for personal injury incurred while on the business premises.

Product Liability Insurance

Product liability and Completed Operations liability insurance provide protection against claims by customers who have incurred damages or become ill from your product. Much of the regulation governing protection of the consumer is aimed at reducing the chance of consumers consuming unsafe products; however, food-borne illness is a continuing concern.

International product liability insurance must be purchased for the country in which one does business — Canadian product liability insurance does not provide coverage in the United States.

Property

Property insurance covers the building and its contents against fire, wind, lightning and burglary. It may also cover incidental events such as electrical failure. It provides for the replacement of assets in case of loss or damage. Property insurance policies should be studied carefully to understand what perils are covered, and to what extent.

Business Loan Life Insurance

Business loan insurance protects partners, family and personal equity by paying off the balance of insured loans in the event of death. *Mortgage* and *debt insurance* are variations on this insurance.

Business Interruption

Business interruption insurance provides business income and alternative location funds in case of loss or damage.

Business Continuation

The owner of a sole proprietorship is insured for the value of the business. Another option is to have a key employee or family member insure the owner's life so that they can purchase the business.

Key Person

This insurance covers the cost of filling the open position of a key person in the firm. It is often considered important only for large corporations, but it is even more important for small companies that rely heavily on certain individuals.

Bad Debt

Bad debt insurance covers payments if customers fail to pay the business what they owe.

Company Car

Company-owned vehicles may also be insured through commercial packages, which provide liability insurance above the $200,000 minimum coverage required for licensing the vehicles.

For more complete information on insurance types, see OMAF Factsheet 00-041, *Farm Business Insurance*.

Workers' Compensation

All employees in Ontario are covered for accidents while on the job under the Workplace Safety and Insurance Board (WSIB). Employers are obligated to purchase this insurance for the protection of their employees. The workers are covered even if the employer does not pay the insurance premium or purchase the insurance. Business owner/operators may also purchase optional coverage for themselves and their immediate families.

The WSIB has regional offices across Ontario. Contact information is listed in Appendix 1.

CHAPTER 3: *Starting Your Winery Business*

Getting the winery up and running is the result of all of your planning efforts. There are still many regulatory requirements to consider, mostly at the municipal level. You will build or re-model the winery and store buildings, obtain the equipment, bottles and labels, make and package the wine, and prepare to sell it.

This chapter deals with the logistics of organizing the business, putting the production system together, and accounting for the capital costs of getting started.

Organizing the Winery

Types of Business Organization

There are four main types of business structures:

- sole proprietorships;
- partnerships;
- joint ventures; and
- corporations.

Proprietorships

These are owned by a single proprietor who may perform all of the management functions and who takes the profits or losses and accepts the liabilities for the business.

Partnerships

These are made up of two or more management partners, who agree to share responsibilities, profits, losses and liabilities according to a legally binding agreement.

Joint Ventures

Joint venturing occurs when two or more businesses agree to work together, usually on an individual business project, to produce a benefit for each that is greater than either could attain by itself. Each participant in the joint venture is an individually run business. If a project is big enough, the joint venture could be spun off into a jointly owned new business, but this is an exception to normal practice.

It is important to understand that a joint venture is not a partnership, although participants may be partnerships, just as they may be sole owners or corporations. A joint venture differs from a partnership in several ways, as shown in Table 3-1.

One main purpose for establishing a joint venture is to avoid being responsible for the liabilities incurred by the other venturer. It is essential that the wording of the joint venture agreement should make it abundantly clear that this is not a partnership. Words like co-venturer, co-participant, etc., should be used in place of partner in all documents.

A joint venture is seen as an inexpensive way of starting a business, mainly because there is no transfer of assets. Gross returns from the joint activity are shared; this split need not be 50-50, but is usually based on the relative production costs of the two parties to the venture. Terms must be spelled out in the joint venture agreement; they can be changed at any time, if mutually agreed upon.

Corporations

Corporate structures are legal entities in which owners are the shareholders and employees. They are generally formed as a tax-saving entity when it is advantageous to do so. This benefit usually becomes effective when personal incomes of the directors

Table 3-1: Comparison of Joint Ventures and Partnerships

Joint Venture	Partnership
Exists for duration of a stated project	Permanent arrangement
Each participant bears own inputs	Participants share production inputs
Share *gross* income from the activity	Share *net* income from the business
File tax as separate businesses	File tax as a single business
Has joint venture agreement	Has partnership agreement
Participants not liable for each other's actions	Partners liable for each other's actions

exceed $50,000. Family businesses are often incorporated to facilitate the transfer of assets between generations within the family. The shareholders of a corporation are only liable for the debts of the corporation to the extent of the value of their shareholdings (*unless* they have signed personal guarantees for the borrowings of the company).

The corporate structure also poses disadvantages. For instance, a beginning operator may wish to write off losses against other personal taxable income, which is not possible under a corporate structure. It is very important to seek extensive professional advice before starting a corporation.

References

OMAF Factsheet 01-057, *Farm Corporations*; OMAF Factsheet 02-047, *Farm Business Partnerships*; OMAF Factsheet 02-069, *Farm Business Joint Ventures*; OMAF Factsheet 95-023, *Evaluating the Feasibility of Business Opportunities*; OMAF Factsheet 01-055, *Taxation on the Transfer of Farm Assets to Family Members.*

The Business Advisory Team

The choice of which type of business organization you want is not only influenced by the income tax one has to pay; the needs of the people and businesses involved must also be considered. A business may start up as a single proprietorship or partnership and evolve to a corporation as the business grows or as family members decide to enter the business. Because a corporation is a business entity in itself and lives on forever, it is more difficult to "devolve" from a corporation to another form of organization. It is therefore very important to involve a *lawyer, an accountant, all family members and business partners* in the decision to form one type of organization or another.

These professionals will continue to be part of your business team from now on, so it is important to select team members that want to see your business prosper and will give sound, practical business advice. The accountant should have a good tax team and management team for support. The law firm should be business-oriented; winery experience might also be an asset.

The *chair* of the business team is usually the president or owner, but this does not have to be the case. In situations in which the owner or main shareholder does not have good leadership skills, the management of decision-making meetings should be deferred to someone else on the management team. This is often a good strategic move as well, because it may encourage more input to the decision-making process by other team members.

Registering Your New Business

The new business must be registered with municipal, provincial and federal governments *before* it begins to do business.

Municipal Regulations

It is necessary to comply with all municipal business licensing, zoning, building and fire regulations. With a few exceptions, these are administered by the municipality in which the winery is located.

Municipal regulations and permissions include:

- zoning;
- building permits;
- occupancy permit;
- signage permit; and
- entranceways.

All businesses must conform to the provisions of municipal planning or zoning by-laws. In the case of a winery, this can become quite complicated. For municipal tax purposes, the exact square footage of the winery is assessed as industrial and the winery retail store is considered commercial, while the land on which they stand may be classed as agricultural. The municipality should be consulted to confirm, in writing, what activities are allowed under the zoning by-law.

Note: Alcohol and Gaming Commission (AGCO) policy requires that the winery must be located *on the same property* as some fruit production. AGCO eligibility policy requires that the winery retail store must be located on the same continuous property as the manufacturing site.

Signage and entranceways (driveway connections) are the responsibility of the jurisdiction that owns the road. If the winery is located on a provincial highway, permission for an entranceway or business sign is obtained from Ontario Ministry of Transportation (MTO) office that governs the highway in your area. If it is on a county road, even though it may be within the limits of a town or township, permission and regulations are the responsibility of the county.

Building permits are required in all municipalities in Ontario. Owners should get municipal approval for the proposed new winery early in the planning stage, to determine the effect development will have on the tax assessment of the property in question and therefore on the ability to carry on the new business.

Food premises are any location in which food or drink is prepared and/or served. They include both wineries or winery retail stores in which tastings are held, and "tied houses" where food is prepared and served. In all cases, plans must be approved by the local health unit as well as by the municipal building inspector. The Food Premises Regulation falls under the Ontario *Health Protection and Promotion Act*. The administration of the regulations is the responsibility of the local health unit.

Provincial Regulations

Any business that operates in a name other than the exact name of the owner must register the business name with the Ministry of Consumer and Business Services (MCBS). This can be done through any Ontario Business Connects (OBC) kiosk or at a Canada-Ontario Business Service Centre (COBSC). The business registration must be changed whenever there is a change in the original registration. This change could involve new partners or new activities, such as building a winery on the vineyard site or selling the product under a new name.

Registering a name does not offer name or brand protection. To do that, you must incorporate the business or register a brand name. The latter must be done through a lawyer.

Other services available through the OBC Web site include:

- business name search;
- Ontario Retail Sales Tax (ORST) Vendor's Permit;
- Employer Health Tax (EHT); and
- Workplace Safety and Insurance Board (WSIB).

Further information is available on the OBC Web site at www.cbs.gov.on.ca/obc/

Environmental Regulations

Permit to Take Water

Any winery using more than 50,000 litres of water per day from any well or groundwater source, *on any day in the year*, must obtain a Permit to Take Water from the Ontario Ministry of the Environment (MOE).

Certificate of Approval for Waste Disposal

If the winery disposes of more than 10,000 litres of waste water *on any day in the year*, or has a waste-holding capacity greater than 10,000 litres, it must have a Certificate of Approval (C of A) from the MOE to spread this liquid waste. This volume includes processing waste and cleaning water plus sanitary sewage.

Processing waste water must be stored in a holding tank and *not mixed* with sewage in the sanitary sewage system.

For volumes of less than 10,000 litres, a disposal plan must be approved by the municipal building inspector. A separate system is usually required for sanitary waste and winery processing waste. If the winery is planned to grow beyond the minimum requirements, space should be allowed for the expansion of each system.

Solid waste, including skins, seeds and stems grown on the winery's own vineyard or orchard, is classed as agricultural waste and may be spread on the winery's own agricultural land. Fruit grown by a different grower, or waste from a different winery, is classed as industrial waste. A C of A is required to spread this waste on the winery's own land or to spread the waste from the winery on another person's land.

Prospective winery owners should consult local MOE and health unit officials as well as municipal planning officials when designing waste disposal plans.

Ontario Health Protection and Promotion Act*: Food Premises Regulation*

Any "premises where food … is manufactured, processed, prepared, stored, handled, displayed, distributed, transported, sold or offered for sale" is defined as a food premise. Wineries are not considered food premises *unless* they prepare and serve food or conduct tastings using non-disposable dishes or glassware.

For example, if a winery conducts a tasting using glassware, and serves cheese cut from a block (i.e., not pre-packaged) as an accompaniment, the winery or winery retail store must comply with Regulation 562 with respect to surfaces and utensils, food handling, utensil and surface cleaning, garbage disposal and sanitary facilities.

If the tastings are conducted using disposable glasses and only non-hazardous foods such as crackers are served, the premise will not require regular inspections. However, winery and winery retail store owners may wish to consult with their local health unit regarding construction and activities of the facility. In the event of a customer complaint, the health unit will be obliged to investigate.

"Tied houses" are food premises and must conform in every way with the regulation.

Federal Regulations

The Canada Customs and Revenue Agency (CCRA) requires all businesses to register for up to four programs:

- Goods and Services Tax (GST);
- payroll deductions;
- corporate income tax (if applicable); and
- import/export account (if applicable).

These are discussed in Chapter 8.

Registration for a business number is available online through the CCRA Web site at www.businessregistration.gc.ca

Regulations and licensing requirements specific to the wine industry are discussed in Chapter 4.

Setting Up Your Winery Business

The winery is a business in itself, separate from the farming enterprise of growing grapes or fruit.

Table 3-2 below outlines the various steps needed to organize the business aspect of a winery.

Table 3-2: Steps in Setting Up Your Winery Business

Activity	Information Source
Decide type of business organization	Accountant, lawyer
Select business advisory team	Accountant, lawyer, crucial family members, trusted advisors
Apply for zoning change, building permit, occupancy permit, signage permit	Municipal office
Entranceway application	Municipal office, county or Ontario Ministry of Transportation (blue pages)
Food premises inspection	Local health unit
Business name search	Ontario Business Connects (OBC) or searchers of records, if incorporated (yellow pages)
Register your business name	OBC or law office
ORST Vendor's Permit	Ontario Retail Sales Tax office — Ministry of Finance (blue pages)
Employer Health Tax	OBC
Workplace Safety and Insurance Board	OBC
Permit to Take Water	Ontario Ministry of the Environment (MOE) and/or municipal office
Certificates of Approval for waste disposal	MOE and/or municipal office
CCRA Business Number (GST)	Nearest Canada Customs and Revenue Agency (CCRA) office (blue pages)
Payroll deductions form	CCRA
Corporate Income Tax (if applicable)	CCRA
Import/Export Account (if applicable)	CCRA

Planning the Wine Production System

To begin planning the wine production system, ask yourself the following questions:

- How much wine can you expect to sell in the first selling year?
- How much will this increase in future years?
- What types of wine will you sell and in what quantities?
- How much juice of each kind do you need?
- How much fruit or juice will be delivered to the winery from your own orchard or vineyard?
- How much juice of each kind will you have to buy?
- When will each kind be ready to process?
- What size batches do you want to make?
- What sizes and number of tanks will you need?
- How many oak barrels will you need, and what types?
- How many bottles will you need for each type of wine?
- What size of bottling equipment will you need five years from now?
- How will you receive fruit or juice?
- How will you ship wine?
- What facilities will you need for the first five years?
- What is the most effective location for these facilities?

Table 6-1 outlines the equipment needed for 7,000-case and 20,000-case wineries. Adjustments for equipment needed for a fruit winery are given at the end of Chapter 6.

Table 3-3 below outlines 12 factors for owners to consider when planning the winery. These factors will help in deciding the building needs and plans, and whether or not an existing building can be remodelled for the winery and/or store. In this way, planning helps to reduce labour, building, equipment and cleaning costs. A well-planned and orderly production system is easier to sanitize, more impressive to members of the public as they tour the winery and more profitable.

The term "system" is important to bear in mind. Every activity from the vineyard to the "tied house" should be part of the planning process. If these activities are planned as a complete unit, taking into account work flows and personnel, a much smoother operation will result, saving the owner a lot of time, money and stress.

Table 3-3: Factors in Planning the Winery

Factor	Considerations
Site selection	"Tied-house" location and setting Winery retail store location and setting Winery location for tours and handling materials Storage needs
Product desired	Kinds and amounts
Equipment needed	Type, size and location
Space requirements	Floor area, room height, room for pipes, filling and emptying Tank size and number Receiving methods and floor levels Working space, fork-lift space Packaging area Tour space Licensed areas Office needs Store size and location relative to winery and storage
Movement of materials	Method, materials-handling equipment, piping
Work flow and labour efficiency	Efficiency of materials movement Efficiency of cleaning Walkways and fork-lift manoeuverability
Climate control	Ability to juice regardless of weather Ability to control temperature as needed
Storage, shipping and loading facilities	Size, floor height, ceiling height, case handling Floor strength and materials
Location of store	Position relative to winery and storage Case-handling method Tours Tasting area
Future expansion potential	Room within present facilities and room to expand Continuation of efficiency of system
Pest control system	Rodents, birds, cats, dogs, etc. Moulds and yeasts Structural materials and construction methods
Sanitation and quality control	Ability to clean and sanitize equipment, floors, walls, etc. Equipment and structural materials Sanitizing equipment Chemical storage Sanitary disposal of waste products, processing water and sewage

Designing the Production System

Now that you have recorded all the items that need to be considered in the design of your winery, it's time to look at some existing wineries and talk to their owners about design. Find out what works, or what could be improved, at several wineries similar to the one you are planning.

There are design engineers in all wine-growing areas and most towns and small cities. They can help you with the design, materials and construction aspects of the winery. You must still have a clear picture of the size of building and equipment you need for the winery you are planning to build.

Two important considerations for the design are:

- materials-handling efficiency; and
- potential for expansion.

Efficiencies can be gained by locating work areas, equipment, storage and sales areas in a simple and logical sequence. Efficiency results in minimal time in moving materials from one place to another and saves time and labour spent in wasted steps and back-tracking. Ceiling heights should be sufficient to accommodate storage tanks, but low enough to keep heat losses at a minimum. Floor space should be adequate to allow people and mobile equipment such as fork-lifts to operate safely between equipment and storage tanks.

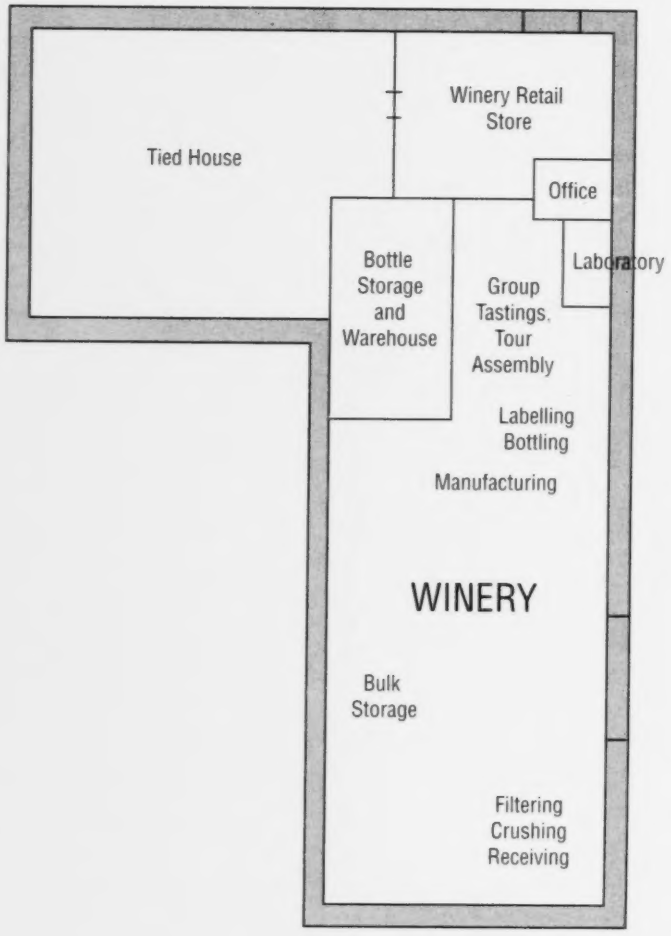
The following diagram illustrates an efficient materials-handling system. Note that the product moves in one direction only. No processing area, such as water supply or materials disposal, is located at an end of the building. This feature allows any section of the building to be expanded as needed without interfering with other parts of the system.

The clean water source and disposal areas are separated by adequate distance to prevent possible contamination of fresh water. If bulk drinking water is used in the "tied house," storage for it can be incorporated into the refrigerated portion of the bottle storage area.

When the winery applies for a Liquor Sales Licence and Catering Endorsement (see Chapter 4), a complete floor plan must be submitted in duplicate on $8^{1}/_{2}" \times 11"$ paper with the proposed licensed areas outlined in red. These licensed areas may be indoors and/or outdoors.

Figure 3-1 illustrates a winery that is designed for efficiency of production and materials handling, and to accommodate future expansion. It does not represent any particular winery size and is not drawn to scale.

Figure 3-1:
Design of Winery, Retail Store and Tied House



Managing Capital Costs

The capital investment involved in starting a winery is always a major expenditure. The example of the 7,000-case winery in Chapter 6 suggests that capital costs for equipment and buildings could easily reach half a million dollars. While this cost can be reduced significantly by remodelling existing buildings, finding used equipment, and limiting the number and kind of aging barrels, the interest on the initial investment will have a major effect on the profitability of the new winery.

Capital costs affect the profitability of the winery in several ways:

- Interest payments must be made monthly, even before wine can be sold and cash flow established.
- Capital Cost Allowance (depreciation) takes place over a period of years. This means that it takes several years to recover the original cost through the tax system.
- Investors/partners may grow impatient waiting for significant returns on their investments.

New winery owners face a major challenge in keeping the capital costs under control while building an attractive winery and improving sales revenue. Here are some suggestions that may be helpful:

- Locate the winery and winery retail store in as high-traffic an area as possible.
- Use existing facilities where possible, even if the efficiency of production is less than ideal.
- Produce a high-quality wine in varieties that are popular.
- Keep the winery and winery retail store design as simple and cost-effective, yet as attractive to the public, as possible.
- Search for used equipment; fibreglass tanks may be as effective as stainless steel.
- Avoid "frills" — you may be able to capitalize on an "old-fashioned" image.
- Take advantage of tax incentives, such as Accelerated Capital Cost Allowance programs.
- Take time to get your business plan right to improve your winery's ability to attract sufficient investment capital.

CHAPTER 4: *Regulations, Licences and Authorizations*

Wineries in all parts of the world operate under close scrutiny and regulation by governments. Regulations, licences and authorizations are for the protection of the industry and the public at large.

This aspect of the winery business may seem like a huge burden to the new owner, and indeed it is. However, these safeguards prevent unscrupulous owners from entering the industry and allow the wine industry to enjoy a reputation for quality. Thus, it is in winery owners' best interests that all manufacturers comply with both the letter and the intent of regulations.

Acts and Regulations

Five provincial acts specifically govern the liquor industry in Ontario; other acts and regulations apply to businesses in general or food businesses in particular. Each act authorizes certain bodies or organizations to create and administer regulations controlling the policies and procedures of governing bodies and authorizing certain practices.

These acts are:

- Ontario *Farm Products Marketing Act, 1990*
- Ontario *Alcohol and Gaming Regulation and Public Protection Act, 1996*
- Ontario *Liquor Licence Act, 1990*
- Ontario *Liquor Control Act, 1990*
- Ontario *Wine Content and Labelling Act, 2000*
- Ontario *Vintners Quality Alliance Act, 1999*
- Ontario *Health Protection and Promotion Act*, Food Premises Regulation
- Canada *Excise Tax Act*
- Canada *Excise Act, 2001* (after July 1, 2003)

Except for the *Farm Products Marketing Act*, the *Health Protection and Promotion Act*, the *Excise Tax Act* and the new *Excise Act*, these acts and regulations are specific to the beverage alcohol and wine industry. They do not replace other acts, regulations and policies that apply to all businesses in Ontario (as discussed in Chapter 2 under the Business Plan), but are in addition to them.

Copies of the Ontario acts and regulations above may be ordered in several ways:

- **online**
  http://www.e-laws.gov.on.ca/
- **by Fax**
  Print online order form (from the e-laws Web site) and Fax to (416) 326-5317
- **by telephone**
  1-800-668-9938 or (416) 326-5300
- **by mail**
  Publications Ontario
  50 Grosvenor Street, Toronto, ON M7A 1N8

Provincial acts and regulations may be downloaded and printed free of charge from the e-laws Web site. Hard copies ordered through Publications Ontario are individually priced. Payment may be made by VISA or Mastercard.

The *Excise Tax Act* and regulations will be dealt with mostly in Chapter 8, Taxes and Duties, except for the regulations with respect to Manufacturers in Bond. This topic is dealt with in the section describing the activities of the Alcohol and Gaming Commission of Ontario (AGCO), in this chapter.

In addition, a number of federal, provincial and municipal regulations and permits must be obtained by any business operating in Canada or Ontario. These are dealt with in Chapter 2 under the Business Plan and in Chapter 8.

Licences

A *licence* is issued under the authority of legislation and its regulations. It allows the licence-holder to carry on certain practices described by the licence. Failure to perform these activities as described under the terms of the licence can result in the licence being cancelled and therefore in the right to practise being withdrawn.

There are three licensing options open to wineries in Ontario, as described in Table 4-1 below.

Policies and Authorizations

Policies are created by the governing authority from time to time, and describe how the regulations will be administered within the regulatory framework. *Authorizations* may be issued within the policy guidelines to allow the participants to carry out certain practices.

Regulations, licences and authorizations all carry the same legal authority. Failure of the winery to comply with their conditions can result in fines and/or loss of the licence to sell wine in Ontario.

Table 4-1: Licensing Options

Option	Licences Required	Licensing Body
Winery alone	Licence to Process Grapes, or	OFPMC*
	Tender Fruit Processor's Licence	OFPMC
	Manufacturer's Liquor Licence	AGCO*
Winery plus winery retail store	Licence to Process Grapes, or	OFPMC
	Tender Fruit Processor's Licence	OFPMC
	Manufacturer's Liquor Licence	AGCO
	plus Winery Retail Store Authorization	AGCO
Winery plus winery store plus "tied house"	Licence to Process Grapes, or	OFPMC
	Tender Fruit Processor's Licence	OFPMC
	Manufacturer's Liquor Licence	AGCO
	plus Winery Retail Store Authorization	AGCO
	plus Liquor Sales Licence and Catering Endorsement	AGCO

**OFPMC is the Ontario Farm Products Marketing Commission; AGCO is the Alcohol and Gaming Commission of Ontario.*

Regulatory Organizations

Ontario Farm Products Marketing Commission (OFPMC)

The OFPMC is an agency of the Ontario Ministry of Agriculture and Food (OMAF). It is responsible for the administration of the *Farm Products Marketing Act* and the *Milk Act*, the supervision of marketing boards and designated associations established under the legislation, and the licensing to process grapes, peaches, pears, plums and cherries (see Table 4-2), as well as supervision of other farm commodities that come under the authority of marketing boards.

Licence to Process Grapes

A Licence to Process Grapes is required by grape wineries in order to process grapes in any way. A copy of this licence must be provided to the AGCO before it will issue a Manufacturer's Liquor Licence.

Tender Fruit Processor's Licence

Wineries that plan to make wine from peaches, pears, plums or cherries must obtain a Tender Fruit Processor's Licence from the OFPMC. A copy of this licence must be provided to the AGCO before it will issue a Manufacturer's Liquor Licence.

Note: A processor's licence is **not required** if purchased juice or concentrate is used to make a wine or wine product, or if fruits other than those designated are used. A processor's licence is required for the manufacture of the juice or concentrate.

Table 4-2: Fruits Requiring a Licence to Process

Fruits Requiring a Licence to Process
grapes
peaches
pears
plums
cherries

To qualify for a Tender Fruit Processor's Licence or a Licence to Process Grapes, an applicant must satisfy the criteria listed on the application form. To meet these criteria, processors must:

- have the equipment for processing;
- have experience in processing; and
- be in compliance with all regulations, orders, marketing agreements and awards under the *Farm Products Marketing Act*.

The processor of grapes or tender fruit must have the capability to process the fruit before the licence is issued; however, this capability can be under the ownership of the applicant or via a co-packer. The licence remains in effect as long as the applicant to whom it is issued continues to process and to comply with the above criteria. Complete details are listed on the OFPMC Web site (see Appendix 1).

Finally, the *Liquor Control Act* states that "a manufacturer may sell or deliver (in Ontario) only Ontario wine produced from fruit grown in Ontario."

Beekeeper Certificate of Registration

Any winery wishing to make mead (honey wine) must possess a valid Beekeeper Certificate of Registration. It is available from OMAF (see Appendix 1).

Vintners Quality Alliance Ontario (VQA Ontario)

VQA Ontario was established under the authority of the *Vintners Quality Alliance Act* to create and administer an "Appellation of Origin" system for Ontario grape wines. This system identifies Ontario wines according to the specific grape-growing areas where they are produced and the methods used.

Three Viticultural Areas (VAs) are designated in Ontario. They, along with other aspects of VQA wines, are discussed in Chapter 5, Quality Considerations and Quality Control.

Alcohol and Gaming Commission of Ontario (AGCO)

The AGCO is an agency of the Ontario Ministry of Consumer and Business Services (MCBS), operating under the authority of the *Alcohol and Gaming Regulation and Public Protection Act*. It licenses, authorizes and regulates all activities in Ontario related to lotteries, gambling and alcohol.

Originally established under the authority of the *Liquor Licence Act* as the Liquor Licence Board of Ontario (LLBO), the AGCO was amalgamated with the Ontario Gaming Commission in 1998. Its main functions in regulating the wine industry in Ontario consist of:

- licensing manufacturers to sell Ontario wine;
- administering the *Wine Content and Labelling Act* and Regulations;
- issuing Liquor Sales Licences;
- administering advertising guidelines;
- authorizing and/or licensing liquor delivery services;
- authorizing on-site winery retail stores;
- licensing manufacturer's representatives (licensed representatives or agents);
- issuing permits for special occasions; and
- collecting fees related to manufacturing and sales of wine and wine products.

Manufacturer's Liquor Licence

- Every winery operating in Ontario must have a valid Manufacturer's Liquor Licence **It is not a licence to manufacture wine**. It simply allows a manufacturer of wine produced in Ontario to sell it to the Liquor Control Board of Ontario (LCBO) or to the public. A Manufacturer's Liquor Licence is also required to obtain authorization to operate a winery retail store, to obtain a "tied house" licence, or to access any of the licences, authorizations or services of the AGCO and the LCBO.

Applicants should obtain the *Application Guide for a New or Transferred Manufacturer's Liquor Licence* from the AGCO. It is available at www.agco.on.ca/en/d.publications/

All AGCO application forms and information packages can be found on its Web site.

Requirements

- Completed application form including Personal History report;
- Completed corporate structure form; and
- Completed business plan, including:
  - applicant's business background and experience,
  - full description of products to be manufactured on-site in the new facility,
  - financial plan showing projected revenue and expenditures for a three-year period, and
  - detailed floor plans showing complete layout of the manufacturing facility, including equipment and proposed location of on-site winery retail store.

Eligibility Criteria

- All applicants must be at least 19 years of age.
- Applicants or directors of applying corporations **will generally not have any direct or indirect financial ownership** in an establishment holding a regular "sale" licence (licensed restaurants, hotels, bars, etc.).
- Applicants must demonstrate financial responsibility in the conduct of the intended business.
- Applicants must demonstrate reasonable grounds that they will conduct business in accordance with the law and with integrity and honesty. A police record search will be conducted on all applicants and directors.

Fee

A fee of $1,260, payable to the AGCO, is charged for the Manufacturer's Liquor Licence. It is renewable every two years. Table 4-3 provides a summary of AGCO licensing and authorization fees; the relationship of all fees to pricing is outlined in Chapter 7, Marketing Your Winery.

Application Review

After a completed application and business plan have been received and reviewed, AGCO staff may arrange for the applicant to appear for an informal discussion with respect to plans for the new winery. The staff will then prepare a recommendation to the Registrar of Alcohol and Gaming.

The Registrar will:

- confirm that the applicant is eligible for a licence, and may proceed to the last phase of the process; or
- ask for additional details or information; or
- refuse to grant the licence if all criteria are not met.

Successful applicants will be advised that they must meet the following conditions before the licence will be granted. They must:

- provide a Licence to Process Grapes and/or Tender Fruit Processor's Licence;
- provide proof of LCBO product testing for the sale of the product; and
- submit payment of AGCO licensing fees.

After the above conditions are met, and the AGCO is satisfied that the premises conform to the *Liquor Licence Act* and Regulation, the licence will be issued.

Note: Prior to selling any alcohol products in Ontario, the licence holder must obtain from the LCBO (see under LCBO below):

- written approval of the selling price for each of its products; and
- written approval of all product labels.

After the Manufacturer's Liquor Licence Has Been Issued

The holder of a Manufacturer's Liquor Licence is subject to:

- renewal of licence and payment of licence fees every two years;
- periodic inspection by AGCO investigation/inspection staff;
- AGCO audit and implementation of procedures for ongoing payment of fees;
- LCBO and/or private laboratory testing of products;
- LCBO audit, including on-site inspection and implementation of production controls and compliance with the *Wine Content and Labelling Act*;
- adherence to AGCO *Advertising Guidelines*; and
- ongoing operation consistent with the conditions set out in the original application and approval of licensing.

Transferring a Manufacturer's Liquor Licence

A transfer of ownership for an existing licence is required if:

- a new owner intends to purchase an existing winery with an active licence, and the licence holder agrees to transfer the Manufacturer's Liquor Licence to the new owner;
- an individual, partnership or corporation purchases all the shares of a corporation that holds an active Manufacturer's Liquor Licence, and the corporation agrees to the transfer;
- a licence holder takes on a new partner (transfer to the new partnership);
- a corporation holds a current Manufacturer's Liquor Licence and a change in corporate structure results in a person or corporation gaining more than 10 percent of the voting shares; or
- the will of a deceased licensee is being probated and the winery will be operated by the beneficiary. The executor must notify the Commission in order to have the Manufacturer's Liquor

Licence amended into his or her name. The beneficiary then applies for a transfer of the licence in order to assume responsibility for the winery.

Important: *If a corporation holds the Manufacturer's* Liquor Licence, the AGCO must be notified whenever there is a change in officers or directors. Although a transfer is not required, the corporation must submit a list of the new officers and directors.

Winery Retail Store Authorization

Winery Retail Store (WRS) Authorizations are issued by the AGCO. A fee of $265 is payable at the same time as the Manufacturer's Liquor Licence, and every two years thereafter, in addition to the monthly fees listed below. (Table 4-3 below provides a summary of AGCO licensing and authorization fees).

Most new wineries will choose to market their wines through their own winery retail store. Under the provisions of the *North American Free Trade Agreement*, the AGCO **can only issue *new* authorizations for *on-site* winery retail stores**. The AGCO will not issue licences to wineries to establish off-site winery retail stores. New off-site winery retail stores and "mini-stores" located within existing retail stores or complexes are relocations of previously existing off-site winery retail stores.

Ontario's wine industry has established itself as a world-class wine-growing and winemaking area. To maintain this close connection between wine growing and winemaking, criteria have been established under which AGCO may authorize an Ontario winery to operate a winery retail store. These criteria may be found in the Winery Retail Store Information Package on the AGCO Web site at www.agco.on.ca/pdf/Non-forms/3168E.pdf

In general, licensed wineries can apply for a WRS Authorization if they meet one of the following conditions:

- the *grape winery* is located in a Viticultural Area (VA) and is on at least five acres of planted grapes; or
- the *grape winery* is located outside the VA, has five acres of planted wine grapes *and* manufactures at least 50 percent of its total production from grapes grown within the county, region or district in which it is located; or
- the *fruit winery* is located on property with at least five acres of planted fruit and manufactures at least 80 percent of its total production from fruit other than grapes; or
- the *honey winery* owns and operates at least 100 colonies of honey bees and possesses a valid Beekeeper Certificate of Registration issued by the Provincial Apiarist* under the *Bees Act* of Ontario.

* The Provincial Apiarist is an employee of OMAF (see Appendix 1).

In addition:

- any winery that produces apple wine must make each of its brands of such wine from at least 70 percent Ontario apples or the concentrated juice thereof; and
- any winery that makes wine from fruit other than grapes or apples must make each of its brands of such wine from 100 percent Ontario fruit or the concentrated juice thereof.

The AGCO requires that all wine sold in a winery retail store must be "made" by the winery that holds the WRS Authorization (the manufacturer). This means that the winery must carry out the full primary fermentation process on at least 25 percent of the total volume of wine sold in a year and on at least 25 percent of the volume of wine sold at the on-site winery retail store in a year.

The manufacturer must also carry out at least one of the following "significant winemaking steps" with respect to the full content of each bottle of wine sold in its winery retail store:

- primary fermentation;
- blending;
- barrel-aging (at least three months);
- bulk-aging (at least three months);

- secondary fermentation (for sparkling wine);
- artificial carbonation (for sparkling wine); and
- flavouring (for fortified wines).

The wine sold must also comply with specific requirements regarding Ontario content. Winery owners are required to maintain sufficient records to indicate that they have complied with this policy. The full text of this policy is found in the WRS Information Package on the AGCO Web site.

The criteria were developed in close consultation with the MCBS, the LCBO, the Wine Council of Ontario, the Ontario Grape Growers' Marketing Board and a wide representation of established and potential grape wineries. The criteria are in keeping with Ontario's international trade obligations; they promote value-added agriculture, rural economic development and tourism; and they help to preserve agricultural land in grape- and fruit-growing areas.

Relocating the Winery Retail Store

If a manufacturer wishes to relocate its winery retail store, it must apply to the AGCO for authorization before doing so. The winery must then surrender its existing WRS Authorization and obtain a new authorization, showing the new location, from the AGCO.

The type of winery retail store involved may limit where the store can be relocated: an *on-site* store may not be relocated to an *off-site* location; it must continue to be located at a production site of the holder of the WRS Authorization.

Note: No more than one on-site WRS Authorization will be issued to any manufacturer.

Monthly Fees

In addition to the $265 fee above, the winery must submit the following fees monthly for sales and operation of winery retail stores:

- **WRS Administration Fee**
  2% of the net value of all wine sold each month is charged. The net value excludes GST, ORST, bottle levies and the environmental fee.
- **Bottle Levy — Wine**
  1 cent per 34.48 ml, or $0.29 per litre, is charged on all wine sales monthly.
- **Bottle Levy — Coolers**
  1 cent per 52.63 ml, or $0.19 per litre, is charged on all wine cooler sales monthly.
- **Environmental Fee**
  $0.0893 cents is charged for each non-refillable bottle or container sold monthly.

Liquor Sales Licence and Catering Endorsement — Tied House

The Liquor Sales Licence permits food establishments to serve beverage alcohol where light meals are available, for instance, in bars, restaurants, hotels, etc., which offer a variety of beverages on the menu.

A **tied house** is a licensed restaurant or food establishment that is situated on the manufacturing site, is owned and operated by the manufacturer, and is therefore "tied" to the winery. The Liquor Sales Licence — Tied House allows the tied house to serve wine that is made by its winery for consumption on the premises in conjunction with food. Wineries holding an AGCO Liquor Sales Licence — Tied House can also apply for a Tied House Catering Endorsement, which allows them to cater to third-party functions in facilities and other **on-site** locations that are not covered by the licence.

Licensed capacity is limited to 500 persons indoors and 1,000 persons outdoors. Applications for a Liquor Sales Licence must be advertised in a local newspaper (the AGCO places the advertisement and adds the cost to the price of the licence). A new Liquor Sales Licence costs $1,055 plus advertising costs and is valid for two years. It is renewed for a three-year term at a cost of $450.

The tied house must meet the same standards for service, quality and sanitation prescribed for any restaurant. It is permitted as a **food premise** under the Ontario *Health Protection and Promotion Act*, Food Premises Regulation. Food premises permits are available from local health units.

Special Occasion Permit (SOP)

An SOP is required whenever wine is sold or served in a public location not covered by a Liquor Sales Licence or WRS Authorization. There are three types of SOPs:

- **Sale** (where beverage alcohol is sold at an event);
- **No Sale** (where beverage alcohol is served without charge, directly or indirectly); and
- **Auctions** (where beverage alcohol is auctioned).

For more details concerning SOPs, refer to the AGCO Web site.

Training for Servers

The **Smart Serve®** training program for servers of alcoholic beverages has been developed by Smart Serve Ontario, a division of the Hospitality Industry Training Organization of Ontario (HITOO) and is endorsed by the AGCO. It is mandatory for:

- new Liquor Sales Licence holders and applicants;
- managers and servers of beverage alcohol and security staff; and
- holders of Catering Endorsements and servers.

Smart Serve trains servers and managers how to prevent alcohol-related problems and how to intervene if problems do occur. It covers such issues as responsible serving techniques, legal issues and house policies.

Contact information can be found in Appendix 2.

Licensed Representative Licence

Some wineries hire a licensed sales representative (also called an agent) on commission to sell their product to the LCBO and to licensed establishments. It is the responsibility of the holder of the Manufacturer's Liquor Licence to ensure that these representatives are licensed with the AGCO; however, the representative is responsible for obtaining and maintaining his/her own licence.

Note: Salaried employees of a domestic (Ontario) winery who have responsibility for selling are not required to be licensed as representatives. Their activities are covered by the Manufacturer's Liquor Licence.

The process for obtaining a Licensed Representative Licence is:

- obtain Licensed Representative Licence information and application forms from the AGCO;
- have forms completed and signed by the prospective licensed representative (agent);
- return completed forms to the AGCO along with a fee of $30 (see Table 4-3) and a letter from the manufacturer authorizing the appointment of the applicant as a representative of the manufacturer.

Additional licensed representatives (agents) may be appointed at any time, but each must be licensed. The Licensed Representative licence is not transferable or refundable; however, a licensed representative or agent may represent more than one winery without purchasing additional licences.

Manufacturer's Responsibility for Representatives

It is the responsibility of the manufacturer to ensure that:

- the licensed representatives (agents) are licensed in accordance with the *Liquor Licence Act*;
- the manufacturer will provide liquor to its representatives or fill individual orders only after having received an order from the representative on the prescribed purchase order form; and
- the manufacturer will fill purchase orders using only stock from the manufacturer's winery retail store or LCBO stores.

Regulations Governing Licensed Representatives

Representatives may open premises solely for the purpose of carrying out their business as representatives. The AGCO must be informed within five days that a representative has opened such a business or that the business has relocated.

Licensed representatives may not make a direct sale of wine or wine products to the public. They must use purchase order forms when they submit their orders to the manufacturer's winery retail store or

LCBO store. Representatives cannot take delivery of any order unless it has been placed and accepted by the retail outlet and has the purchase order attached to it. The purchase order must contain the following information:

- the licensed representative's name and business address;
- the name and address of the manufacturer being represented;
- the purchaser's name and address and licence number, if the purchaser is the holder of a Liquor Sales Licence (or permit number, if the purchaser is the holder of a Special Occasion Permit);
- the type and quantity of wine ordered;
- the date and time of the order;
- the name and address of the person to whom the delivery of product is to be made; and
- the terms of payment.

A copy of the LCBO purchase order must be attached, at all times, to orders that are to be delivered to the purchaser or to be kept at the representative's place of business.

Representatives may keep at their place of business only wine products that are to be delivered or picked up, used for carrying out market research or given away unopened as samples.

Representatives may keep no more than 180 litres of product at their place of business. This product may be for delivery to a purchaser, for carrying out market research and/or for giving away unopened as samples.

Liquor Delivery Service Authorization

Authorization for an On-site Winery Retail Store Offering Product Delivery

Winery retail stores may apply to contract a third-party carrier to deliver their products to "private places" as defined in the *Liquor Licence Act* regulations. These are indoor locations to which the public is not normally invited or permitted access. The winery retail store applies to the AGCO for an Authorization for an On-Site Winery Retail Store Offering Product Delivery. The delivered product must be sold at the same price as the same wine in the winery retail store. The winery retail store must charge a delivery fee that is not less than the reasonable cost of the delivery service.

Winery Direct Delivery Authorization

Wineries (not winery retail stores) may apply to the LCBO for authorization to deliver wine that has been made in the same winery directly to licensees or licensed establishments such as restaurants and hotels. These persons or establishments must have a valid licence to sell liquor, issued under the *Liquor Licence Act*. Such sales are deemed to be LCBO sales and are priced the same as LCBO sales of the same wine. The manufacturer is required to invoice the LCBO for these sales.

VQA sales are conducted in the same way as sales of non-VQA wine. There are differences, however, in the net mark-up that is returned to the manufacturer. Complete details are listed in the LCBO document entitled *Direct Delivery Authorization*.

Advertising Guidelines

The *Liquor Licence Act* (Regulation 720 section 5) permits a manufacturer of wine to advertise within specific criteria and in accordance with the AGCO's *Advertising Guidelines*.

It is not necessary for a manufacturer to obtain AGCO approval of its advertising program or content. It is, however, the manufacturer's responsibility to ensure that any advertising that carries the winery's business or brand name, or that is endorsed by it, falls within the parameters set out in the regulations and in the AGCO's *Advertising Guidelines*. The guidelines are posted on the AGCO Web site.

Manufacturers in Bond

Any wine manufacturer that is fortifying wines with spirits must be licensed as a Manufacturer in Bond under the federal *Excise Act*. The manufacturer must submit annually to the regional director of Canada Customs and Revenue Agency (CCRA) a

listing of the products to be manufactured and the amounts of same to be sold in the ensuing 12-month period.

For the purpose of treating domestic (Ontario) wine, a manufacturer may use spirits produced from domestic wine, or spirits produced from grain or other food sources, containing at least 94.0% ethyl alcohol by volume. These spirits must be stored in the bonded warehouse at the winery.

The treated wine (port, sherry, etc.) must not exceed 22.9% ethyl alcohol by volume. If it does, the treated wine may be used to fortify other wine products.

Detailed regulations may be obtained from:

Canada Customs and Revenue Agency
Excise Duties and Taxes Division
Policy and Legislation Branch
20th Floor, Tower A, Place de Ville
320 Queen St., Ottawa, Ontario K1A 0L5
(613) 941-1497

More Complete Information

There are several licences, permits and regulations involving the production, management and serving of beverage alcohol. Those that are administered by the AGCO are illustrated in Figure 4-1. Table 4-3 provides a summary of AGCO licensing and authorization fees. Complete information and application forms can be found on the AGCO Web site (see Appendix 1). Winery owners should be aware that regulations and policies change from time to time. Prospective licensees should always check with the organization concerned for the most recent information.

Figure 4-1: AGCO Licensing Procedures: Winery and Winery Retail Store

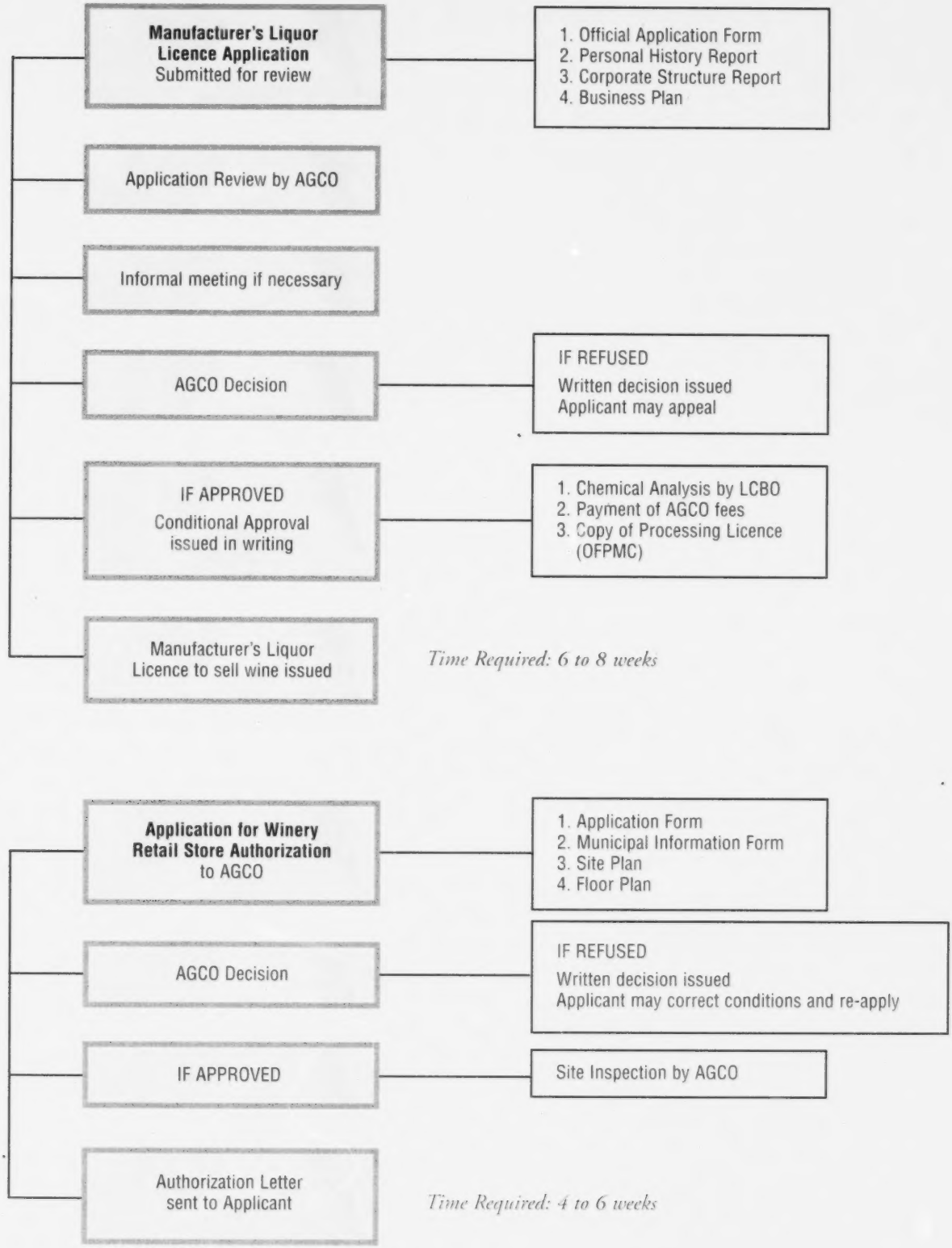


Table 4-3: AGCO Licensing and Authorization Fees

Fee	Amount	Conditions
Manufacturer's Liquor Licence (MLL)	$1,260	Payable every two years at start-up and upon renewal
Transfer of MLL	$1,000	
Winery Retail Store Authorization	$265	Payable every two years at start-up and upon renewal
Liquor Sales Licence (LSL) — Tied House (New Application)	$1,055 plus advertising costs	Payable when the application is submitted. Licence is issued for two years
Renewal of LSL	$450	Every three years
Transfer of LSL	$1,000	
Late filing penalty for renewal	$105	
Licensed Representative Licence	$30	Payable when application is submitted and upon renewal

A complete list of fees may be found on the AGCO Web site.

Liquor Control Board of Ontario (LCBO)

The LCBO exists under the authority of the *Liquor Control Act* to control the distribution of beverage alcohol in the province. It has the following main functions:

- administering the *Liquor Control Act* and Regulations;
- owning and operating LCBO stores;
- selecting and approving wines for sale in LCBO stores;
- administering off-premises warehousing and distribution of commercial wine;
- setting the prices at which various classes, varieties and brands of wine are sold;
- conducting laboratory testing of all commercial wines; and
- evaluating and listing wines to be imported for sale in Ontario.

LCBO Services to Manufacturers

The LCBO is responsible for regulating all beverage alcohol sales in Ontario, including wine sales. Many of its activities will be discussed in more detail in the chapters that deal with marketing and quality control. Most new wineries serve local markets through their own winery retail stores and, perhaps, through local licensed establishments such as restaurants, until their volume increases beyond the capacity of these markets. All wineries, regardless of size or market, will use the services of the LCBO in product testing, pricing and label evaluation.

Wineries with larger production volumes will take advantage of LCBO listings to get their products distributed more widely through LCBO stores. The LCBO also offers several marketing options, listed in its *Product Management Policies and Procedures* handbook.

The LCBO has developed several marketing programs for wineries with smaller production or elite products. These are listed under LCBO Retailing Options in Chapter 7.

Product Listing

Getting a product listed with the LCBO involves several steps:

- **Listing Presentation**. For each product for which a listing is being sought, a completed LCBO Product Profile and Marketing Plan must be completed, signed by the manufacturer, and the **original** delivered to the LCBO Category Manager. This document must be complete in every respect to be reviewed further.
- **Evaluation of the Application**. The application is considered by the LCBO Review Committee. This committee meets four times a year to consider all applications for listing. The applicant is informed in writing of the decision as soon as possible after the meeting. In the case of a negative decision, the applicant is advised, in writing, of the reasons for the refusal. A re-application for the same product may not be submitted for at least six months.
- **LCBO Product Management**. Each application for a product listing must be accompanied by two 750-ml bottles of the wine to be tested. These are used by the LCBO Product Management Committee for commercial evaluation. Evaluations include package appeal and organoleptic (taste, bouquet, etc.) testing. A second sample may be requested if the first fails the organoleptic test.
- **Chemical Analysis.** A listing is granted only if the wine or product submitted surpasses a series of chemical tests. If the product fails to meet the chemical standard set by the LCBO, a second sample will be requested. If the second sample also fails the chemical analysis, the LCBO will likely reject the listing application. The complete list of chemicals and standards is in the LCBO publication, *Product Packaging Standards and Guidelines for Chemical Analysis.*
- **Label Approval**. Label specifications are outlined under Labelling Requirements in the LCBO *Product Packaging Standards.* The manufacturer or the manufacturer's agent must submit the LCBO Form LCB 1624, Request for Label Examination, within 21 days of the date of notification that the listing has been conditionally granted.
- **Further Product Testing**. Once the listing is approved, further organoleptic and chemical testing is required when the shipment arrives at the warehouse. If results are not satisfactory, the LCBO may cancel the listing.

Quality Control

The LCBO has set limits on chemical content for any wine made in Ontario. It offers a laboratory service to monitor wines. The acceptable levels of 41 chemicals and component characteristics are set out in the LCBO *Guidelines for Chemical Analysis.* Chemical testing, along with organoleptic evaluation, is performed as part of the application process for listing.

Product Packaging Standards

The LCBO has established minimum standards for the packaging and labelling of shipping containers, consumer packs and bottles of Ontario wine. All wine products, whether sold in LCBO stores or not, must conform to these standards. They are set out in the LCBO publication, *Product Packaging Standards.*

Winery Warehouse Authorization

A winery may, from time to time, establish a warehouse in a location remote from the winery. This warehouse may be at another winery or in a location totally separate from any winery. Authority to do so is granted by the LCBO, following receipt of Form LCB 2105, Winery Warehouse Authorization Application and Renewal.

Manufacturers must follow strict rules related to management of the off-site warehouse. The warehouse is for storage purposes only — no sales or marketing activities, or transfer of possession of wine, can take place from the warehouse, and wine can only be delivered to and from the winery. The manufacturer is required to keep full records of the inventory and any changes, losses or damages that occur to the inventory. These records must be available to the LCBO at any time.

Audit Services

The LCBO Winery Audit Department conducts independent appraisals of the operations of wineries to ensure compliance with provisions and regulations of the *Liquor Control Act*, the *Liquor Licence Act*, the *Wine Content Act* and the *Vintners Quality Alliance Act*. Audits are scheduled to include all wineries in the province at least twice a year. An audit includes the examination of records maintained by the winery pertaining to production methods and quality control, as well as accounting, reporting of sales and payment of fees by wineries. Audit results are reported to the LCBO, the AGCO or VQA Ontario, as appropriate.

The LCBO Winery Audit Department reports to the LCBO with regard to:

- the winery's compliance with regulations stated in the *Liquor Control Act*, with respect to production and sales of wine products as outlined in Regulation 717;
- the winery's compliance with rules related to the LCBO Direct Delivery program;
- verification of the Application to Import Wine in Bulk for blending/bottling; and
- verification of Winery Warehouse Authorization.

The LCBO Winery Audit Department reports to the AGCO with regard to:

- the winery's compliance with the *Wine Content and Labelling Act* and its regulations;
- the winery's compliance with those aspects of the *Liquor Control Act* and its regulations related to WRS Authorizations;
- monthly fee payments to the AGCO by the winery; and
- applications for, and renewal of, the Manufacturer's Liquor Licence and WRS Authorization.

The LCBO Winery Audit Department reports to VQA Ontario with regard to:

- VQA Ontario members' compliance with VQA rules with respect to production, quality, labelling and descriptions of VQA wines (Clause 5(1) of the *Vintners Quality Alliance Act, 1999*); and
- the accounting and reporting of certain fees related to the total amount of VQA wine sold by members during a specified period.

Forms and Information

Tables 4-4 through 4-7 below provide summaries of regulations, licences and authorizations described in this chapter.

Table 4-4: Summary of Agencies, Regulations, Licences and Authorizations Governing the Wine Industry in Ontario

Agency	Licence, Permit, Authorizations Letter or Activity
Alcohol and Gaming Commission of Ontario (AGCO)	Manufacturer's Liquor Licence Winery Retail Store (WRS) Authorization Tied House Licence Licensed Representative's (Agent's) Licence Delivery Authorization *Wine Content and Labelling Act* and Regulations *Advertising Guidelines* and WRS promotions
Liquor Control Board of Ontario (LCBO)	LCBO store marketing functions Special in-store promotions Product review and listing Organoleptic and chemical testing Approval of all product labels Approval of selling price for each product Warehousing All audit functions
Vintners Quality Alliance Ontario (VQA Ontario)	VQA Ontario Membership Certificate VQA Ontario approval for each VQA wine
Ontario Farm Products Marketing Commission (OFPMC)	Processor's Licences for processing grapes, peaches, pears, plums or cherries
Ontario Grape Growers Marketing Board (OGGMB)	Support of applicants for a Licence to Process Grapes
Ontario Tender Fruit Producers' Marketing Board (OTFPMB)	Support of applicants for a Tender Fruit Processor's Licence
Ontario Ministry of Agriculture and Food	Beekeeper Certificate of Registration
Canada Customs and Revenue Agency (CCRA)	Excise Licence Manufacturer in Bond Licence (if required) Goods and Services Tax (GST)
Ontario Ministry of Finance	Ontario Retail Sales Tax (ORST) Vendor's Permit ORST Purchase Exemption Certificate
Ontario Ministry of the Environment	Permit to Take Water Certificate of Approval for Waste Disposal
Ontario Ministry of Health	Food Premises Regulation

Table 4-5: AGCO Forms and Information

Number	Form
LLB 1958	Monthly Statement by a Manufacturer of Ontario Wine
2086	Application for a Manufacturer's Liquor Licence
2071	Corporate Structure Form
2076	Personal History Report
2107	Application Guide for a New or Transferred Manufacturer's Liquor Licence
2152	Application Guide for a Licensed Representative's Licence
3099	Liquor Advertising Guidelines — Liquor Sales Licensees and Manufacturers

Table 4-5: AGCO Forms and Information (continued)

Number	Form
3161	Municipal Information for a Retail Store Authorization
3162	Application for a Honey Winery On-site Retail Store Authorization
3163	Application for a Grape Winery On-site Retail Store Authorization
3164	Application for a Fruit Winery On-site Retail Store Authorization
3168	Winery Retail Store Information Package
1202	Application and Guide for a New Liquor Sales Licence (Tied House)

Table 4-6: LCBO Forms and Information

Number	Form
LCB J10	Monthly Statement of a Holder of an Ontario Wine Licence
LCB J11	Annual Statement of a Holder of an Ontario Wine Licence
LCB 2056	Product Information Summary for Direct Sales to Licensees
LCB 2054, LCB 2055	Direct Sales to Licensees
	Tied House Sales
LCB J10B	Levy Collected Report
LCB 1624	Request for Label Examination
	Application for Winery Warehouse Authorization
	Application to Import Wine in Bulk for Blending
	Application for Listing (in LCBO stores)
LCB 1923	In-store Tasting Application (LCBO stores only)
	Information
	Product Management Policies and Procedures
	Retail Guidelines
	LCBO *Product Packaging Standards and Guidelines for Chemical Analysis*
	Policy for Bottling 100% Import
	Policy for Off-premise Warehousing
	Pricing Information — Non-Discriminatory Reference Price and Mark-ups

Table 4-7: VQA Ontario Forms

Number	Form
3001	Product Approval Application
3002	Late Harvest Production Monitoring Form
3003	Product Sales Report
3004	Export Certification
3005	Grape Tonnage Record
3006	Letter of Audited VQA Origin for Transfer

These forms are available on the VQA Ontario Web site (see Appendix 1).

CHAPTER 5: *Quality Considerations and Quality Control*

Quality is the expression of three characteristics:

- acceptability;
- reliability; and
- safety.

It is the winemaker's responsibility to ensure that the customer likes the product, can count on the same satisfaction each and every time, and can feel confident the products are safe. The wine manufacturer should think of quality control, not as a "cost" or "business constraint," but as a marketing tool, a way to keep bringing customers back.

This chapter deals with the means for achieving consistent high quality in all of the winery's products.

Importance of Quality Control

Let's suppose that you take home a bottle of Maple Manor Merlot 2000 from your local Liquor Control Board of Ontario (LCBO) store. You like it and want another. What do you expect from the second bottle? The same wine, the same bouquet, the same taste.

Suppose the second bottle is just a bit off. What's your reaction? Will you buy a third bottle? Probably not. More likely, you'll try something else.

Or, let's say that you serve a wine to a distinguished guest, maybe the Prime Minister. As you pour the last of the bottle, a shard of broken glass falls out into your guest's glass. You may be embarrassed and never buy that brand again or, worse, sue the winery for damages.

Quality control ensures that each batch of wine is exactly what the winemaker designed it to be, that each bottle of a given wine is the same as every other bottle, and that nothing in the bottle will harm consumers or place the winery at risk.

Quality Control Standards

The aesthetic quality of a product is a value judgement, and in winemaking, that judgement is exercised by the winemaker, who designs wines to please certain palates. This publication does not try to define the aesthetic quality of the wine itself, but attempts to provide the winemaker with tools to achieve consistent quality in all of the winery's products.

The Ontario Ministry of Agriculture and Food (OMAF) publishes a complete reference manual for food manufacturers, which contains useful information on quality control standards (OMAF Publication 795, *Food Processor's Reference Manual*).

The Fruit or Juice

Quality wine begins with quality fruit or juice, which must contain the appropriate sugar and tannin levels to achieve the desired results. **Test kits** are available from winery suppliers.

It is the responsibility of the winemaker to ensure that the grapes or juice for processing are free of pesticide or fungicide residues that might contaminate the wine. The winemaker can insist the vineyard, orchard manager or juice supplier provide a list of chemicals used and the dates they were applied. Each chemical used is assigned a "withdrawal period," or minimum time between application of the chemical and the harvest of fruit to which it is applied. The manufacturer should insist on written assurance that all withdrawal periods have been observed.

Fruit must be clean and free of foreign materials such as chemicals or dirt. Thorough cleaning of the fruit with uncontaminated water should be an important part of the winemaking process. Cleaning and rinse water should not be re-used in case it has become contaminated.

Chemical Testing

The LCBO *Guidelines for Chemical Analysis* describes 18 wine chemicals and 21 agricultural chemicals that must be tested for in wine; tolerance levels are also described in the LCBO publication, *Product Packaging Standards and Guidelines for Chemical Analysis*, available from the Quality Assurance Department of the LCBO.

The LCBO offers a wine-testing laboratory service to Ontario wineries at cost, or wineries may use accredited private laboratories to do their testing. All wineries must be prepared to show documentation of chemical test results during the LCBO audit.

Organoleptic Testing

Taste, subtle flavours, clarity, colour and bouquet are all measurable characteristics that contribute to the quality of wine. This kind of evaluation is routinely carried out by the winemaker throughout the manufacturing process and is an important step in ensuring that these qualities are consistent between batches and, to a degree, between years.

Wine sold through LCBO stores is subject to organoleptic testing by LCBO testers — that is, testing by sight, taste, smell and other sensory perceptions — as part of the application process for listing the product with the LCBO.

Premises Inspection

Tied houses are classed as food premises (any place that prepares or serves food) under the Ontario *Health Protection and Promotion Act*, Food Premises Regulation. Food premises are subject to inspection by the local health unit of the Ontario Ministry of Health. The Food Premises Regulation sets out standards for equipment, surfaces and practices that must be maintained in food preparation and serving establishments. It also defines sanitation chemicals that can and cannot be used in these areas.

Wineries and tasting areas that serve only snack foods such as crackers are exempt from the regulations *if* the tastings are provided using disposable glassware and food is not prepared for serving. If re-usable glasses are used, washing and sanitation procedures are enforceable under Food Premises Regulation 562.

Local health units are listed under Health in the blue pages of the local telephone directory.

Food Safety and Quality Control Systems

Table 5-1 below provides a summary of quality control systems described in this section.

Good Manufacturing Practices (GMPs)

GMPs are the basic requirements for producing safe, quality food products. The quality-conscious winemaker will institute a system of production that ensures unwanted materials such as bacteria, moulds, yeasts and other foreign materials do not enter the equipment, surfaces and wine products at

any stage. This system can be worked out and written down in consultation with health unit personnel or food production consultants.

A training program should be implemented so that all employees are indoctrinated in the quality control system and can follow the rules for safe wine production.

Hazard Analysis Critical Control Point (HACCP)

HACCP (pronounced Hassip) is a commercial system for monitoring all of the points in a food production system where bacteria or contaminants may enter the system and contaminate the product. These are the "critical control points." They include raw material entry places, materials handling, employee practices, sanitation, insect control, etc.

HACCP builds on GMPs and is complementary to them. The Guelph Food Technology Centre (GFTC) at the University of Guelph administers both GMP and HACCP.

More information on HACCP is available on the Canadian Food Inspection Agency Web site at www.inspection.gc.ca

ISO 9000

ISO 9000 is an internationally recognized quality control program that builds on the safety standards employed through GMPs and HACCP, both of which are prerequisites for registering in the program. The 9000 series applies to food manufacturing.

ISO standards are implemented in consultation with a licensed ISO consultant, but their strength lies in the internal auditing system of the winery backed up by government audits. GFTC is also a licensed trainer and consultant for ISO 9000.

For more information, consult the following Web sites: www.iso.ch/iso or www.gftc.ca

Vintners Quality Alliance Ontario (VQA Ontario)

VQA Ontario was incorporated in 1998 and is authorized under the *Vintners Quality Alliance Act, 1999* (VQA Act). It is Ontario's wine authority, responsible for regulating and setting standards for the production of premium wine made from Ontario-grown grapes.

VQA Ontario's primary function is to establish and maintain an Appellation of Origin system that allows consumers to identify wines based on the origin of the grapes from which they are made and procedures followed in the winemaking process. Each bottle of approved wine will display the VQA designation as shown below.

Regulations under the VQA Act describe Viticultural Areas (VAs) in Ontario in which quality vinifera grapes can be consistently grown. The term Designated Viticultural Area (DVA), though not official, is often used and is synonymous with VA. There are three VAs in Ontario:

- the Niagara Peninsula (as defined in the Regulations);
- Pelee Island; and
- Lake Erie North Shore, covering the counties of Essex, Kent (south of the Thames River) and Elgin.

VQA wines made in these areas and which meet all other criteria may be designated:

- VQA Niagara Peninsula VQA;
- VQA Pelee Island VQA; and
- VQA Lake Erie North Shore VQA.

Estate wineries located within a VA may qualify for a "specific vineyard descriptor," such as VQA Jones Estates Vineyard VQA.

Wines qualifying for this designation must be finished within a VA, as noted in the regulations that follow. Other areas may apply for VA designation if they can demonstrate a history of successfully growing wine grapes.

VQA wines made outside a VA, or made from authorized hybrid grape varieties (non-vinifera), may be designated:

- VQA Ontario VQA.

Qualifying wineries that hold a valid Manufacturer's Liquor Licence may join VQA Ontario by payment of the annual membership dues. Additional operating revenue is raised through a product approval application fee and a fee payable on every bottle of VQA wine sold. A listing of these fees may be obtained from VQA Ontario (see contact information in Appendix 1).

Strict rules have been drawn up for wines to receive the VQA designation. These are very detailed and may be obtained from the office of VQA Ontario. For instance, VQA approval is only granted to wines made from 100-percent Ontario grapes. For purposes of general information only, some of the main requirements for VQA wines are listed below:

- All grapes must be grown in Ontario and be of one or more approved varieties.
- Wines made from grapes grown outside a VA, and made with approved hybrid grape varieties, are eligible only for a VQA Ontario descriptor.
- VQA wines designated with a specific vineyard must be made from *vitis vinifera* grapes grown in the named vineyard within a VA, and be entirely fermented, processed, blended, finished and bottled within Ontario.
- "Estate bottled" wines are made entirely from *vitis vinifera* grapes grown, fermented, aged and bottled on the estate, which is located within a VA.
- No unauthorized additions of sugar, water or any other substance may be made.
- Records must be kept showing the origin, sugar levels, weight and variety of all grapes used.
- Technical rules are in place for various types of wines, including sparkling wines, sweet wines, varietal wines, etc.
- Strict labelling guidelines must be followed, with certain terms being restricted to approved VQA wines that meet specific criteria. Upon request, VQA Ontario will review labels before printing to ensure they meet VQA labelling guidelines.
- Before using VQA terms, members must submit finished wine for approval, including a taste test, package review and laboratory analysis.
- All wineries are subject to a comprehensive post-approval audit to ensure standards have been met.

For purposes of applying for VQA designation, it is necessary to consult the complete regulations found in Regulation 406/00 of the VQA Act.

VQA Ontario regulates the use of a number of terms describing geographic origin and winemaking procedures on the labels of Ontario VQA wines. Wineries should be aware that these terms cannot be used legally on the labels of non-VQA wines. These terms can be found in Regulation 406/00, section 3 of the VQA Act. The Act and Regulations may be downloaded from the Ontario government Web site at www.e-laws.gov.on.ca

Member wineries are required to report VQA sales by bottles, litres and retail value to VQA Ontario by the 10th of each month. Wineries are also required to keep records related to both harvesting and winemaking, and to produce these records for audit. VQA audits are conducted in conjunction with AGCO audits every five months.

More information is available on the VQA Ontario Web site at www.vqaontario.com

Fruit Wine Quality Certified (QC)

Fruit Wines of Canada has developed a rating system that will "qualify" fruit wines based on such standards as known fruit-growing area, vintage

dating, estate bottling, etc. Qualifying fruit wines are identified by the trademark or status:

- QC Quality Certified

A **province-designated** fruit wine may bear the provincial geographic indication "ON" (Ontario) or the Canadian geographic indication if preferred. It must be made only from authorized fruit species (see Table 5-2) grown within the provincial boundaries.

A **Canada-designated** fruit wine will bear the geographic indication "Canada." It must be made only from one of the authorized fruit species grown in Canada.

Note: The QC program is being operated on a voluntary basis by Fruit Wines of Canada and Fruit Wines of Ontario. Fruit wines bearing the QC label must have met the manufacturing and quality standards set out by the QC program.

Categories of fruit wines are shown in Table 5-3. For more information, consult the Fruit Wines of Ontario Web site at www.fruitwinesofontario.com

Table 5-1: Summary of Quality Control Contacts for All Wines

Chemical Testing	Liquor Control Board of Ontario Quality Assurance Department
Good Manufacturing Practices HACCP, ISO 9000	Guelph Food Technology Centre or Canadian Food Inspection Agency
Food Premises Inspection	Local health unit, Ontario Ministry of Health
VQA Standards	Vintners Quality Alliance Ontario
QC Standards	Fruit Wines of Canada

Table 5-2: QC-authorized Fruit Species

Apples	Cranberries	Peaches
Apricots	Dog Berries	Pears
Aronia Berries Bakeapple	Elderberries	Pimbina Berries
Black Raspberries (Wild)	Gooseberries	Pin Cherries
Blackberries	Highbush Cranberries	Plums and Prunes
Black Currant	Jostaberries	Raspberries
Blueberries	Kiwis	Red Currants
Blueberries (Wild)	Lingonberries (Wild)	Rhubarb*
Boysenberries	Loganberries	Saskatoon Berries
Cherries	Mulberries	Strawberries
Chokecherries	Partridge Berries (Wild)	White Currants
Cloudberries (Wild)		

** Rhubarb is included, since it is traditionally considered to be a fruit.*

Table 5-3: Categories of Fruit Wines

Category	Characteristics
Fruit Wine	Not less than 7.1% alcohol
Iced Fruit Wine	Fermented from juice through cryo-extraction
Fortified Fruit Wine	Alcohol content not less than 14.0% alcohol Added alcohol from a food source distilled to not less than 80% alcohol by volume
Sparkling Fruit Wine	CO_2 added to minimum of 200 kPa at 10°C Alcohol content not less than 8.5%
Species Fruit Wine	Bears the name of authorized fruit species Has the "character" of the named fruit species Contains no grape juice May be single, dual or triple species
Branded Fruit Wine	Conforms to standards for appropriate designation Is produced from authorized species Contains no grape material
Vintage Dated Fruit Wine	At least 85% of wine must derive from fruit grown in the designated vintage
Estate, Domain or Farm Bottled Fruit Wine	Made from authorized fruit species only All fruit grown on land owned or controlled by the bottling winery

CHAPTER 6: *Financial Plan*

This chapter was researched and written by Mary Jane Combe, P.Ag. of Durward Jones Barkwell & Company LLP, Chartered Accountants, St. Catharines, Ontario.

Determining the costs of establishing and operating a winery is a very complex activity. The importance of a well-researched and carefully thought-out financial plan cannot be overestimated, not only in helping to obtain adequate financing to establish a new winery, but in continuing to operate a profitable winery.

Determining the size of winery and the types of wine that will best suit the local market can be a challenge. To arrive at a reasonable estimate of the type and size of winery to start with, it is necessary to observe the sales of particular wines, to survey the marketplace and to consider the competition. This is the job of the marketing plan, discussed in Chapter 7.

The estimates included in this chapter are intended to illustrate the kind of capital investment, production costs and cash flow requirements for a new winery. These projections are for discussion purposes only, and are not intended to replace individual business planning. They do, however, provide a framework or model on which owners can base their own business plans (see Chapter 2).

Note: The assumptions made in constructing these examples reflect averages at the time and do not represent recommendations from the contributors. The author assumes no liability or responsibility as a result of the reader relying or acting upon the information contained herein.

Estimates are based on costs for a winery only, independent of all vineyard costs, including the costs of establishing and operating the vineyard. The estimates begin when the grapes are delivered to the winery for crushing. The cost of grapes used in this reference material is based on prices supplied by the Ontario Grape Growers' Marketing Board.

This chapter will follow the economics of establishing two grape wineries, in order to show differences in pricing:

- Winery A: Capacity 7,000 cases
- Winery B: Capacity 20,000 cases

Winery A markets all of its wine through its own winery retail store and through direct delivery of VQA wines to licensed establishments. Winery B sells three-quarters of its wine through its winery retail store and one-quarter through LCBO stores.

The following information is provided as components of the financial plan for each of these two wineries over a five-year period:

- capital investment for starting the wineries;
- estimated yield capacity of wine from the vineyard or yield required to supply demand;
- effect of pricing on gross profit;
- projected wine production for five years;
- estimates of cash flow for five years; and
- projected five-year summary of income and expenses.

Capital Investment Required

The amount of capital needed to begin a winery depends on many variables — the size and quality of existing buildings, location of the winery, type of winery, kinds and quantity of wines, new or used equipment, sizes of tanks and equipment, size and location of winery retail store, and so on. All of these affect the amount of capital needed to establish a winery. Therefore, it is impossible to predict precisely the start-up costs that will apply to any given winery.

Each winery owner must develop his or her own financial plan for the winery. Table 6-1 shows a breakdown of some of the capital needs for a 7,000-case and a 20,000-case winery with very modest building costs. The assumptions made in arriving at these costs are listed below.

Table 6-1: Estimated Capital Costs of Two Wineries
(Land and vineyard costs are not included)

A: 7,000-Case Capacity		**B: 20,000-Case Capacity**	
Capital Item	**Est. Cost ($)**	**Capital Item**	**Est. Cost ($)**
Tanks: Two 100 hl = 200 hl Four 50 hl = 200 hl Ten 25 hl = 250 hl Total # hl = 650 hl		Tanks: Eleven 100 hl = 1,100 hl Ten 50 hl = 500 hl Eight 25 hl = 200 hl Five 20 hl = 100 hl Total # hl = 1,900 hl	
Destemmer Crusher Press Piston Pump Flexible Impeller Pump Plate Filter (20 plates) Bottling Line*: Semi-automatic Pesce Corker Manual Gravity Filler – 6-spout Semi-automatic Labeller		Destemmer Crusher Press Voulumex Pump, 3 hp Piston Pump Flexible Impeller Pump Plate Filter (40 plates) D.E. Filter – 4 sq. metres Bottling Line*: Monobloc Rinser – 12-clamp Labelling Machine	
Equipment Costs:	**$176,000**	**Equipment Costs:**	**$470,750**
Building, Utilities and Hook-ups ($100/sq. ft.)	200,000		400,000
Oak Barrels 225-litre Capacity ($850 French oak; $450 American oak; ½ French, ½ American for all red wines)	61,100		310,700
Laboratory Equipment (custom lab work available)	5,000		10,000
Fork-lift	10,000		20,000
Office Equipment	5,000		10,000
Total Estimated Capital Cost	**$457,100**	**Total Estimated Capital Cost**	**$1,221,450**

** An alternative to purchasing a bottling line is to contract out bottling and labelling to an existing winery or other custom operator.*

Estimating Juice and Wine Requirements

After determining the quantity and kind of wine to be sold, the owner needs to determine the amount and source of juice needed to produce the wine. In turn, the amount of juice of each type of grape needed to produce the desired varieties of wines will affect decisions on size of tanks and capacity of buildings; vineyard planting; site selection; and contracting of grapes from other growers.

Table 6-2 illustrates the amount of juice that can be extracted from selected cultivars of grapes. The following assumptions are made:

- Vinifera cultivars — 725 litres of wine per tonne of grapes;
- Hybrid cultivars — 775 litres of wine per tonne of grapes;
- Juice is converted to wine at 95% efficiency (calculate juice production as 105% of wine);
- 9 litres of wine per case (twelve 750-ml bottles).

Table 6-2: Estimated Juice and Wine Production from Selected Grape Cultivars

Cultivar	Yield (tonnes/acre)	Litres of Juice per Acre	Litres of Wine per Acre	Cases of Wine per Acre
Chardonnay	3 to 5	2,280 to 3,800	2,175 to 3,625	240 to 400
Riesling	5 to 7	4,070 to 5,700	3,875 to 5,425	430 to 600
Vidal	5 to 7	4,070 to 5,700	3,875 to 5,425	430 to 600
Seyval	5 to 7	4,070 to 5,700	3,875 to 5,425	430 to 600
Baco Noir	4 to 6	3,255 to 4,880	3,100 to 4,650	345 to 515
Cabernet Franc	3 to 5	2,280 to 3,800	2,175 to 3,625	240 to 400
Cabernet Sauvignon	3 to 5	2,280 to 3,800	2,175 to 3,625	240 to 400
Marechal Foch	4 to 6	3,255 to 4,880	3,100 to 4,650	345 to 515
Merlot	3 to 5	2,280 to 3,800	2,175 to 3,625	240 to 400

Assumptions

1) All wine is produced from grapes grown on the farm and recorded at Ontario Grape Growers' Marketing Board prices. Cultivars include red and white vinifera and hybrid grapes.

2) Seventy-five percent of the red wine is oak-aged, requiring 1/2 French oak and 1/2 American oak barrels. Barrels have a 225-litre capacity with an approximate cost of $850 per French oak and $450 per American oak barrel. (Oak chips are a less expensive alternative to barrels, and may present opportunities for blend differentiation; however, the traditional use of barrels is considered in these examples.)

3) Inventories and grape costs are based on year 2001 negotiated prices as reported in the August and September Ontario Grape Growers' Marketing Board newsletters. These prices are constant through the five projected years. These prices (per tonne of grapes) are:

Cabernet Franc	$1,525
Cabernet Sauvignon	1,775
Merlot	1,800
Chardonnay	1,225
Riesling	1,125

4) All expenses except the cost of grapes and interest were increased by 2% annually to account for inflation.

5) The quantity of wine sold annually is 25% of the total of beginning inventory plus the current year's production in year two; 30% of this total in year three; 35% in year four and 40% thereafter. Sales would be lower initially for varietal and premium wines that may be bottle-aged for one to two years.

6) Wineries will market wines through a combination of winery retail store, licensed restaurants, private functions, LCBO specialty store listings and general LCBO listings. New wineries will generally focus on the sales that generate the highest returns after taxes and levies, such as winery retail store sales and VQA direct sales to licensees. Please refer to pricing information in Chapter 7, Marketing Your Winery.

In these examples, the 7,000-case winery assumes all sales through its winery retail store and VQA direct delivery, and the 20,000-case winery assumes three-quarters of its sales through its winery retail store and VQA direct delivery, and one-quarter of its sales at regular LCBO pricing.

7) Retail wine prices (per bottle) are:

Merlot	$14.00
Cabernet Franc	12.00
Cabernet Sauvignon	12.00
Chardonnay	9.00
Riesling	9.00

8) Principal and interest payments on long-term debt are calculated using a 9% interest rate with a 10-year amortization on equipment and a 20-year amortization on buildings.

9) Interest on the operating loan is calculated at 8.5%.

Effect of Pricing on Gross Profit

Profitability is a function both of sales volume and gross profit. One strategy often considered by new businesses is to reduce the selling price of their products to increase sales in the short term. The purpose of a pricing strategy is to *increase profit*, not just sales, in the long term. Finding the proper mix of sales and gross profit will achieve the best overall profitability. Table 6-3 demonstrates how the price of wine affects the gross profit to the winery, assuming there is no loss of sales volume because of price. This principle is discussed more completely in Chapter 7, Marketing Your Winery.

Table 6-3 provides the selling price, cost of sales and gross profit (per bottle) for the sample financial projections for wine sold through an on-site winery retail store for 7,000-case and 20,000-case wineries.

Table 6-3: Comparison of Gross Profit by Selling Price

	$9.00 / bottle		$12.00 / bottle		$14.00 / bottle	
	bottle	case	bottle	case	bottle	case
Sales						
Sales at full retail	$9.00	$108.00	$12.00	$144.00	$14.00	$168.00
Sales net of taxes and levies	$6.73	$80.76	$9.19	$110.28	$10.84	$130.08
Costs of Sales						
Grapes	1.08	12.96	1.55	18.60	1.86	22.32
Processing						
Processing of grapes ($250/tonne)	0.19	2.28	0.19	2.28	0.19	2.28
Wine processing (filtration, aging, etc.) $1/litre	0.75	9.00	0.75	9.00	0.75	9.00
Bottling cost ($1.20/case)	0.10	1.20	0.10	1.20	0.10	1.20
Packaging						
Bottles ($5 to $10/case)	0.63	7.56	0.63	7.56	0.83	9.96
Cork, shrink cap, label	0.40	4.80	0.40	4.80	0.40	4.80
	3.15	37.80	3.62	43.44	4.13	49.56
Gross Profit	$3.58	$42.96	$5.57	$66.84	$6.71	$80.52

Projected Wine Production, Estimated Cash Flow and Summary of Projected Income and Expenses

Most new wineries will focus on direct sales through their winery retail store, private functions and local restaurants, rather than on LCBO sales. Tables 6-4, 6-5 and 6-6 present five-year production and financial projections for a 7,000-case winery using the information provided in the above tables. Tables 6-7, 6-8 and 6-9 present the same projections for a 20,000-case winery.

Note: Attention should be given to the additional "personal contributions" required in addition to the initial capital investment.

Note: It is important for the reader to understand that these examples are theoretical and should not be used in place of individual business planning.

Table 6-4: Projected Wine Production Plan (7,000-case Winery)

JANUARY – DECEMBER
YEAR 1

Cultivar	Acres	Yield (tonnes/acre)	Total Yield (tonnes)	Cost of Grapes	Total Wine (litres)	Production (# cases)	Ending Inventory Value/Case	Ending Inventory Total
Cab. Franc.	3.0	5.0	15.0	$22,875	10,875	1,208	$44.58	$53,852
Cab. Sauv.	3.0	4.0	12.0	21,300	8,700	967	47.67	46,096
Merlot	3.0	4.0	12.0	21,600	8,700	967	47.98	46,396
Chardonnay	4.0	4.0	16.0	19,600	11,600	1,289	40.85	52,655
Riesling	6.0	5.0	30.0	33,750	23,250	2,583	38.71	99,987
Total	**19.0**		**85.0**	**$119,125**	**63,125**	**7,014**		**$298,986**

YEAR 2

Cultivar	Beginning Inventory # Cases	Beginning Inventory Value/Case	Beginning Inventory Total	Production (# cases)	Sales (# cases)	Revenue Net of Taxes	Ending Inventory # Cases	Ending Inventory Value/Case	Ending Inventory Total
Cab. Franc.	1,208	$44.58	$53,852	1,208	604	$66,609	1,812	$44.58	$80,779
Cab. Sauv.	967	47.67	46,096	967	484	53,376	1,450	47.67	69,122
Merlot	967	47.98	46,396	967	484	62,959	1,450	47.98	69,571
Chardonnay	1,289	40.85	52,655	1,289	645	52,090	1,933	40.85	78,963
Riesling	2,583	38.71	99,987	2,583	1,292	104,342	3,874	38.71	149,963
Total	**7,014**		**$298,986**	**7,014**	**3,509**	**$339,376**	**10,519**		**$448,398**

Table 6-4: Projected Wine Production Plan (7,000-case Winery) (cont'd)

YEAR 3

Cultivar	Beginning Inventory # Cases	Value/Case	Total	Production (# cases)	Sales (# cases)	Revenue Net of Taxes	Ending Inventory # Cases	Value/Case	Total
Cab. Franc.	1,812	$44.58	$80,779	1,208	906	$99,914	2,114	$44.58	$94,242
Cab. Sauv.	1,450	47.67	69,122	967	725	79,953	1,692	47.67	80,658
Merlot	1,450	47.98	69,571	967	725	94,308	1,692	47.98	81,182
Chardonnay	1,933	40.85	78,963	1,289	967	78,095	2,255	40.85	92,117
Riesling	3,874	38.71	149,963	2,583	1,937	156,432	4,520	38.71	174,969
Total	**10,519**		**$448,398**	**7,014**	**5,260**	**$508,702**	**12,273**		**$523,168**

YEAR 4

Cultivar	Beginning Inventory # Cases	Value/Case	Total	Production (# cases)	Sales (# cases)	Revenue Net of Taxes	Ending Inventory # Cases	Value/Case	Total
Cab. Franc.	2,114	$44.58	$94,242	1,208	1,163	$128,256	2,159	$44.58	$96,248
Cab. Sauv.	1,692	47.67	80,658	967	931	102,671	1,728	47.67	82,374
Merlot	1,692	47.98	81,182	967	931	121,104	1,728	47.98	82,909
Chardonnay	2,255	40.85	92,117	1,289	1,240	100,142	2,304	40.85	94,118
Riesling	4,520	38.71	174,969	2,583	2,486	200,769	4,617	38.71	178,724
Total	**12,273**		**$523,168**	**7,014**	**6,751**	**$652,942**	**12,536**		**$534,373**

Table 6-4: Projected Wine Production Plan (7,000-case Winery) (cont'd)

	YEAR 5								
Cultivar	**Beginning Inventory**			**Production**	**Sales**	**Revenue**	**Ending Inventory**		
	# Cases	**Value/Case**	**Total**	**(# cases)**	**(# cases)**	**Net of Taxes**	**# Cases**	**Value/Case**	**Total**
Cab. Franc.	2,159	$44.58	$96,248	1,208	1,347	$148,547	2,020	$44.58	$90,052
Cab. Sauv.	1,728	47.67	82,374	967	1,078	118,882	1,617	47.67	77,082
Merlot	1,728	47.98	82,909	967	1,078	140,226	1,617	47.98	77,584
Chardonnay	2,304	40.85	94,118	1,289	1,437	116,052	2,156	40.85	88,073
Riesling	4,617	38.71	178,724	2,583	2,880	232,589	4,320	38.71	167,227
Total	**12,536**		**$534,373**	**7,014**	**7,820**	**$756,296**	**11,730**		**$500,018**

Table 6-5: Estimated Cash Flow Projection (7,000-case Winery)

Year 1

	Jan–Mar	Apr–June	July–Sept	Oct–Dec	Current Year
Cash Inflow					
Wine Sales	–	–	–	–	–
Term Borrowings	–	–	$350,000	–	$350,000
Personal Contributions	–		115,000	$240,000	355,000
Total Cash Inflow	–	–	$465,000	$240,000	$705,000
Cash Outflow					
Grapes	–	–	–	$119,125	$119,125
Processing Grapes	–	–	–	15,992	15,992
Wine Processing	–	–	–	63,126	63,126
Bottling	–	–	–	8,417	8,417
Packaging	–	–	–	92,326	92,326
Sales Fees/Expenses	–	–	–	10,000	10,000
Sewage Disposal	–	–	–	10,000	10,000
Labour	–	–	–	18,000	18,000
Advertising/Promotion	–	–	–	7,200	7,200
Insurance	–	–	–	1,000	1,000
Business and Property Tax	–	–	–	10,000	10,000
Maintenance/Repair	–	–	–	–	–
Office and Store	–	–	–	–	–
Dues and Fees	–	–	–	1,100	1,100
Utilities	–	–	–	2,190	2,190
Telephone	–	–	–	525	525
Professional — Accounting/Legal	–	–	–	10,000	10,000
Operating Loan Interest	–	–	–	–	–
Principal and Interest on Debt	–	–	–	11,452	11,452
Capital Purchases	–	–	460,000	–	460,000
Total Cash Outflow	–	–	$460,000	$380,453	$840,453
Surplus (Deficit)	–	–	$5,000	$(140,453)	$(135,453)
Cash (Operating loan)	–	–	$5,000	$(135,453)	$(135,453)

Table 6-5: Estimated Cash Flow Projection (7,000-case Winery) (cont'd)

Year 2

	Jan–Mar	Apr–June	July–Sept	Oct–Dec	Current Year
Cash Inflow					
Wine Sales	–	$84,844	$101,813	$152,719	$339,376
Term Borrowings	–	–	–	–	–
Personal Contributions	$135,000	–	–	150,000	285,000
Total Cash Inflow	$135,000	$84,844	$101,813	$302,719	$624,376
Cash Outflow					
Grapes	–	–	–	$119,125	$119,125
Processing Grapes	–	–	–	16,312	16,312
Wine Processing	–	–	–	64,389	64,389
Bottling	$2,146	$2,146	$2,146	2,146	8,584
Packaging	23,543	23,543	23,543	23,543	94,172
Sales Fees/Expenses	6,250	6,250	6,250	6,250	25,000
Sewage Disposal	5,100	5,100	5,100	5,100	20,400
Labour	18,360	18,360	18,360	18,360	73,440
Advertising/Promotion	7,344	7,344	7,344	7,344	29,376
Insurance	893	893	893	893	3,572
Business and Property Tax	3,443	3,443	3,443	3,443	13,772
Maintenance/Repair	918	918	918	918	3,672
Office and Store	1,403	1,403	1,403	1,403	5,612
Dues and Fees	1,785	1,785	1,785	1,785	7,140
Utilities	2,234	2,234	2,234	2,234	8,936
Telephone	536	536	536	536	2,144
Professional — Accounting/Legal	1,275	1,275	1,275	1,275	5,100
Operating Loan Interest	2,878	2,232	2,637	2,690	10,437
Principal and Interest on Debt	11,452	11,452	11,452	11,452	45,808
Capital Purchases	15,000	15,000	15,000	15,000	60,000
Total Cash Outflow	$104,560	$103,914	$104,319	$304,198	$616,991
Surplus (Deficit)	$30,440	$(19,070)	$(2,506)	$(1,479)	$7,385
Cash (Operating loan)	$(105,013)	$(124,083)	$(126,589)	$(128,068)	$(128,068)

Table 6-5: Estimated Cash Flow Projection (7,000-case Winery) (cont'd)

Year 3

	Jan–Mar	Apr–June	July–Sept	Oct–Dec	Current Year
Cash Inflow					
Wine Sales	$50,870	$127,176	$152,610	$178,046	$508,702
Term Borrowings	–	–	–	–	–
Personal Contributions	50,000	–	–	50,000	100,000
Total Cash Inflow	$100,870	$127,176	$152,610	$228,046	$608,702
Cash Outflow					
Grapes	–	–	–	$119,125	$119,125
Processing Grapes	–	–	–	16,632	16,632
Wine Processing	–	–	–	65,651	65,651
Bottling	$2,188	$2,188	$2,188	2,188	8,752
Packaging	23,999	23,999	23,999	23,999	95,996
Sales Fees/Expenses	6,375	6,375	6,375	6,375	25,500
Sewage Disposal	5,200	5,200	5,200	5,200	20,800
Labour	18,720	18,720	18,720	18,720	74,880
Advertising/Promotion	7,488	7,488	7,488	7,488	29,952
Insurance	910	910	910	910	3,640
Business and Property Tax	3,510	3,510	3,510	3,510	14,040
Maintenance/Repair	936	936	936	936	3,744
Office and Store	1,430	1,430	1,430	1,430	5,720
Dues and Fees	1,820	1,820	1,820	1,820	7,280
Utilities	2,278	2,278	2,278	2,278	9,112
Telephone	546	546	546	546	2,184
Professional — Accounting/Legal	1,300	1,300	1,300	1,300	5,200
Operating Loan Interest	2,721	2,828	2,377	1,377	9,303
Principal and Interest on Debt	11,452	11,452	11,452	11,452	45,808
Capital Purchases	15,000	15,000	15,000	15,000	60,000
Total Cash Outflow	$105,873	$105,980	$105,529	$305,937	$623,319
Surplus (Deficit)	$(5,003)	$21,196	$47,081	$(77,891)	$(14,617)
Cash (Operating loan)	$(133,071)	$(111,875)	$(64,794)	$(142,685)	$(142,685)

Table 6-5: Estimated Cash Flow Projection (7,000-case Winery) (cont'd)

Year 4

	Jan–Mar	Apr–June	July–Sept	Oct–Dec	Current Year
Cash Inflow					
Wine Sales	$65,294	$163,236	$195,882	$228,530	$652,942
Term Borrowings	–	–	–	–	–
Personal Contributions	–	–	–	–	–
Total Cash Inflow	$65,294	$163,236	$195,882	$228,530	$652,942
Cash Outflow					
Grapes	–	–	–	$119,125	$119,125
Processing Grapes	–	–	–	16,951	16,951
Wine Processing	–	–	–	66,914	66,914
Bottling	$2,230	$2,230	$2,230	2,230	8,920
Packaging	24,461	24,461	24,461	24,461	97,844
Sales Fees/Expenses	6,625	6,625	6,625	6,625	26,500
Sewage Disposal	5,300	5,300	5,300	5,300	21,200
Labour	19,080	19,080	19,080	19,080	76,320
Advertising/Promotion	7,632	7,632	7,632	7,632	30,528
Insurance	928	928	928	928	3,712
Business and Property Tax	3,578	3,578	3,578	3,578	14,312
Maintenance/Repair	954	954	954	954	3,816
Office and Store	1,458	1,458	1,458	1,458	5,832
Dues and Fees	1,855	1,855	1,855	1,855	7,420
Utilities	2,321	2,321	2,321	2,321	9,284
Telephone	557	557	557	557	2,228
Professional — Accounting/Legal	1,325	1,325	1,325	1,325	5,300
Operating Loan Interest	3,032	3,935	2,776	899	10,642
Principal and Interest on Debt	11,452	11,452	11,452	11,452	45,808
Capital Purchases	15,000	15,000	15,000	15,000	60,000
Total Cash Outflow	$107,788	$108,691	$107,532	$308,645	$632,656
Surplus (Deficit)	$(42,494)	$54,545	$88,350	$(80,115)	$20,286
Cash (Operating loan)	$(185,179)	$(130,634)	$(42,284)	$(122,399)	$(122,399)

Table 6-5: Estimated Cash Flow Projection (7,000-case Winery) (cont'd)

Year 5

	Jan–Mar	Apr–June	July–Sept	Oct–Dec	Current Year
Cash Inflow					
Wine Sales	$75,630	$189,074	$226,889	$264,703	$756,296
Term Borrowings	–	–	–	–	–
Personal Contributions	–	–	–	–	–
Total Cash Inflow	$75,630	$189,074	$226,889	$264,703	$756,296
Cash Outflow					
Grapes	–	–	–	$119,125	$119,125
Processing Grapes	–	–	–	17,271	17,271
Wine Processing	–	–	–	68,176	68,176
Bottling	$2,273	$2,273	$2,273	2,273	9,092
Packaging	24,922	24,922	24,922	24,922	99,688
Sales Fees/Expenses	6,750	6,750	6,750	6,750	27,000
Sewage Disposal	5,400	5,400	5,400	5,400	21,600
Labour	19,440	19,440	19,440	19,440	77,760
Advertising/Promotion	7,776	7,776	7,776	7,776	31,104
Insurance	945	945	945	945	3,780
Business and Property Tax	3,645	3,645	3,645	3,645	14,580
Maintenance/Repair	972	972	972	972	3,888
Office and Store	1,485	1,485	1,485	1,485	5,940
Dues and Fees	1,890	1,890	1,890	1,890	7,560
Utilities	2,365	2,365	2,365	2,365	9,460
Telephone	567	567	567	567	2,268
Professional — Accounting/Legal	1,350	1,350	1,350	1,350	5,400
Operating Loan Interest	2,601	3,307	1,616	–	7,524
Principal and Interest on Debt	11,452	11,452	11,452	11,452	45,808
Capital Purchases	15,000	15,000	15,000	15,000	60,000
Total Cash Outflow	$108,833	$109,539	$107,848	$310,804	$637,024
Surplus (Deficit)	$(33,203)	$79,535	$119,041	$(46,101)	$119,272
Cash (Operating loan)	$(155,602)	$(76,067)	$42,974	$(3,127)	$(3,127)

Table 6-6: Projected Income and Expense Summary (7,000-case Winery)

	YEAR 1	YEAR 2	YEAR 3	YEAR 4	YEAR 5
SALES	–	$339,376	$508,702	$652,942	$756,296
COST OF SALES					
Opening Inventory	–	$298,986	$448,398	$523,168	$534,373
Production Costs	$298,986	302,582	306,156	309,754	313,352
Ending Inventory	(298,986)	(448,398)	(523,168)	(534,373)	(500,018)
	–	$153,170	$231,386	$298,549	$347,707
GROSS PROFIT	–	$186,206	$277,316	$354,393	$408,589
GROSS PROFIT (%)	0%	55%	55%	54%	54%
EXPENSES					
Advertising/Promotion	$7,200	$29,376	$29,952	$30,528	$31,104
Business and Property Tax	10,000	13,772	14,040	14,312	14,580
Dues and Fees	1,100	7,140	7,280	7,420	7,560
Insurance	1,000	3,572	3,640	3,712	3,780
Interest on Bank Indebtedness	–	10,437	9,303	10,642	7,524
Interest on Long-term Debt	8,052	30,957	60,548	28,098	26,468
Labour	18,000	73,440	74,880	76,320	77,760
Maintenance/Repair	–	3,672	3,744	3,816	3,888
Office and Store	–	5,612	5,720	5,832	5,940
Professional — Accounting/Legal	10,000	5,100	5,200	5,300	5,400
Sales Fees/Expenses	10,000	25,000	25,500	26,500	27,000
Sewage Disposal	10,000	20,400	20,800	21,200	21,600
Telephone	525	2,144	2,184	2,228	2,268
Utilities	2,190	8,936	9,112	9,284	9,460
	$78,067	$239,558	$271,903	$245,192	$244,332
NET INCOME (LOSS) FROM OPERATIONS	$(78,067)	$(53,352)	$5,413	$109,201	$164,257

Table 6-7: Projected Wine Production Plan (20,000-case Winery)

JANUARY – DECEMBER
YEAR 1

Cultivar	Acres	Yield (tonnes/acre)	Total Yield (tonnes)	Cost of Grapes	Total Wine (litres)	Production (# cases)	Ending Inventory Value/Case	Ending Inventory Total
Cab. Franc.	12.0	5.0	60.0	$91,500	43,500	4,833	$44.57	$215,407
Cab. Sauv.	12.0	4.0	48.0	85,200	34,800	3,867	47.67	184,340
Merlot	12.0	4.0	48.0	86,400	34,800	3,867	47.98	185,539
Chardonnay	13.0	4.0	52.0	63,700	37,700	4,189	40.85	171,121
Riesling	8.0	5.0	40.0	45,000	31,000	3,444	38.71	133,318
Total	**57.0**		**248.0**	**$371,800**	**181,800**	**20,200**		**$889,725**

YEAR 2

Cultivar	Beginning Inventory # Cases	Beginning Inventory Value/Case	Beginning Inventory Total	Production (# cases)	Sales (# cases)	Revenue Net of Taxes	Ending Inventory # Cases	Ending Inventory Value/Case	Ending Inventory Total
Cab. Franc.	4,833	$44.57	$215,407	4,833	2,417	$235,367	7,249	$44.57	$323,088
Cab. Sauv.	3,867	47.67	184,340	3,867	1,934	188,333	5,800	47.67	276,486
Merlot	3,867	47.98	185,539	3,867	1,934	222,990	5,800	47.98	278,284
Chardonnay	4,189	40.85	171,121	4,189	2,095	147,970	6,283	40.85	256,661
Riesling	3,444	38.71	133,318	3,444	1,722	121,625	5,166	38.71	199,976
Total	**20,200**		**$889,725**	**20,200**	**10,102**	**$916,285**	**30,298**		**$1,334,495**

Table 6-7: Projected Wine Production Plan (20,000-case Winery) (cont'd)

YEAR 3

Cultivar	Beginning Inventory # Cases	Value/Case	Total	Production (# cases)	Sales (# cases)	Revenue Net of Taxes	Ending Inventory # Cases	Value/Case	Total
Cab. Franc.	7,249	$44.57	$323,088	4,833	3,625	$353,003	8,457	$44.57	$376,928
Cab. Sauv.	5,800	47.67	276,486	3,867	2,900	282,402	6,767	47.67	322,583
Merlot	5,800	47.98	278,284	3,867	2,900	334,370	6,767	47.98	324,681
Chardonnay	6,283	40.85	256,661	4,189	3,142	221,919	7,330	40.85	299,431
Riesling	5,166	38.71	199,976	3,444	2,583	182,437	6,027	38.71	233,305
Total	**30,298**		**$1,334,495**	**20,200**	**15,150**	**$1,374,131**	**35,348**		**$1,556,928**

YEAR 4

Cultivar	Beginning Inventory # Cases	Value/Case	Total	Production (# cases)	Sales (# cases)	Revenue Net of Taxes	Ending Inventory # Cases	Value/Case	Total
Cab. Franc.	8,457	$44.57	$376,928	4,833	4,652	$453,012	8,638	$44.57	$384,996
Cab. Sauv.	6,767	47.67	322,583	3,867	3,722	362,448	6,912	47.67	329,495
Merlot	6,767	47.98	324,681	3,867	3,722	429,147	6,912	47.98	331,638
Chardonnay	7,330	40.85	299,431	4,189	4,032	284,780	7,487	40.85	305,844
Riesling	6,027	38.71	233,305	3,444	3,315	234,138	6,156	38.71	238,299
Total	**35,348**		**$1,556,928**	**20,200**	**19,443**	**$1,763,525**	**36,105**		**$1,590,272**

Table 6-7: Projected Wine Production Plan (20,000-case Winery) (cont'd)

	YEAR 5								
Cultivar	**Beginning Inventory**			**Production**	**Sales**	**Revenue**	**Ending Inventory**		
	# Cases	**Value/Case**	**Total**	**(# cases)**	**(# cases)**	**Net of Taxes**	**# Cases**	**Value/Case**	**Total**
Cab. Franc.	8,638	$44.57	$384,996	4,833	5,388	$524,683	8,083	$44.57	$360,259
Cab. Sauv.	6,912	47.67	329,495	3,867	4,312	419,903	6,467	47.67	308,282
Merlot	6,912	47.98	331,638	3,867	4,312	497,174	6,467	47.98	310,287
Chardonnay	7,487	40.85	305,844	4,189	4,670	329,842	7,006	40.85	286,195
Riesling	6,156	38.71	238,299	3,444	3,840	271,219	5,760	38.71	222,970
Total	**36,105**		**$1,590,272**	**20,200**	**22,522**	**$2,042,821**	**33,783**		**$1,487,993**

Table 6-8: Estimated Cash Flow Projection (20,000-case Winery)

Year 1

	Jan–Mar	Apr–June	July–Sept	Oct–Dec	Current Year
Cash Inflow					
Wine Sales	–	–	–	–	–
Term Borrowings	–	–	$1,200,000	–	$1,200,000
Personal Contributions	–	–	–	$1,000,000	1,000,000
Total Cash Inflow	–	–	$1,200,000	$1,000,000	$2,200,000
Cash Outflow					
Grapes	–	–	–	$371,800	$371,800
Processing Grapes	–	–	–	46,056	46,056
Wine Processing	–	–	–	181,800	181,800
Bottling	–	–	–	24,240	24,240
Packaging	–	–	–	265,829	265,829
Sales Fees/Expenses	–	–	–	25,000	25,000
Sewage Disposal	–	–	–	15,000	15,000
Labour	–	–	–	56,000	56,000
Advertising/Promotion	–	–	–	18,700	18,700
Insurance	–	–	–	2,700	2,700
Business and Property Tax	–	–	–	10,000	10,000
Maintenance/Repair	–	–	–	–	–
Office and Store	–	–	–	3,200	3,200
Dues and Fees	–	–	–	3,000	3,000
Utilities	–	–	–	5,800	5,800
Telephone	–	–	–	1,500	1,500
Professional — Accounting/Legal	–	–	–	15,000	15,000
Operating Loan Interest	–	–	–	–	–
Principal and Interest on Debt	–	–	–	31,550	31,550
Capital Purchases	–	–	1,221,450	–	1,221,450
Total Cash Outflow	–	–	$1,221,450	$1,077,175	$2,298,625
Surplus (Deficit)	–	–	$(21,450)	$(77,175)	$(98,625)
Cash (Operating loan)	–	–	$(21,450)	$(98,625)	$(98,625)

Table 6-8: Estimated Cash Flow Projection (20,000-case Winery) (cont'd)

Year 2

	Jan–Mar	Apr–June	July–Sept	Oct–Dec	Current Year
Cash Inflow					
Wine Sales	–	$229,071	$274,886	$412,328	$916,285
Term Borrowings	–	–	–	–	–
Personal Contributions	$300,000	–	–	500,000	800,000
Total Cash Inflow	$300,000	$229,071	$274,886	$912,328	$1,716,285
Cash Outflow					
Grapes	–	–	–	$371,800	$371,800
Processing Grapes	–	–	–	46,977	46,977
Wine Processing	–	–	–	185,436	185,436
Bottling	$6,181	$6,181	$6,181	6,181	24,724
Packaging	67,786	67,786	67,786	67,786	271,144
Sales Fees/Expenses	12,500	12,500	12,500	12,500	50,000
Sewage Disposal	4,500	4,500	4,500	4,500	18,000
Labour	40,000	40,000	40,000	40,000	160,000
Advertising/Promotion	18,700	18,700	18,700	18,700	74,800
Insurance	1,375	1,375	1,375	1,375	5,498
Business and Property Tax	4,750	4,750	4,750	4,750	19,000
Maintenance/Repair	2,520	2,520	2,520	2,520	10,079
Office and Store	3,200	3,200	3,200	3,200	12,800
Dues and Fees	3,000	3,000	3,000	3,000	12,000
Utilities	5,800	5,800	5,800	5,800	23,200
Telephone	1,500	1,500	1,500	1,500	6,000
Professional — Accounting/Legal	2,500	2,500	2,500	2,500	10,000
Operating Loan Interest	2,096	1,734	2,871	3,059	9,760
Principal and Interest on Debt	31,551	31,551	31,551	31,551	126,204
Capital Purchases	75,000	75,000	75,000	75,000	300,000
Total Cash Outflow	$282,959	$282,597	$283,734	$888,135	$1,737,425
Surplus (Deficit)	$17,041	$(53,526)	$(8,848)	$24,193	$(21,140)
Cash (Operating loan)	$(81,584)	$(135,110)	$(143,958)	$(119,765)	$(119,765)

Table 6-8: Estimated Cash Flow Projection (20,000-case Winery) (cont'd)

Year 3

	Jan–Mar	Apr–June	July–Sept	Oct–Dec	Current Year
Cash Inflow					
Wine Sales	$137,413	$343,533	$412,239	$480,946	$1,374,131
Term Borrowings	–	–	–	–	–
Personal Contributions	200,000	–	–	280,000	480,000
Total Cash Inflow	$337,413	$343,533	$412,239	$760,946	$1,854,131
Cash Outflow					
Grapes	–	–	–	$371,800	$371,800
Processing Grapes	–	–	–	47,898	47,898
Wine Processing	–	–	–	189,072	189,072
Bottling	$6,302	$6,302	$6,302	6,302	25,208
Packaging	70,497	70,497	70,497	70,497	281,988
Sales Fees/Expenses	37,500	37,500	37,500	37,500	150,000
Sewage Disposal	4,590	4,590	4,590	4,590	18,360
Labour	40,800	40,800	40,800	40,800	163,200
Advertising/Promotion	19,074	19,074	19,074	19,074	76,296
Insurance	2,061	2,061	2,061	2,061	8,245
Business and Property Tax	4,845	4,845	4,845	4,845	19,380
Maintenance/Repair	2,570	2,570	2,570	2,570	10,281
Office and Store	3,264	3,264	3,264	3,264	13,056
Dues and Fees	3,060	3,060	3,060	3,060	12,240
Utilities	5,916	5,916	5,916	5,916	23,664
Telephone	1,530	1,530	1,530	1,530	6,120
Professional — Accounting/Legal	2,550	2,550	2,550	2,550	10,200
Operating Loan Interest	2,545	2,040	1,395	–	5,980
Principal and Interest on Debt	31,551	31,551	31,551	31,551	126,204
Capital Purchases	75,000	75,000	75,000	75,000	300,000
Total Cash Outflow	$313,655	$313,150	$312,505	$919,880	$1,859,190
Surplus (Deficit)	$23,758	$30,383	$99,734	$(158,934)	$(5,059)
Cash (Operating loan)	$(96,007)	$(65,624)	$34,110	$(124,824)	$(124,824)

Table 6-8: Estimated Cash Flow Projection (20,000-case Winery) (cont'd)

Year 4

	Jan–Mar	Apr–June	July–Sept	Oct–Dec	Current Year
Cash Inflow					
Wine Sales	$176,353	$440,881	$529,058	$617,234	$1,763,526
Term Borrowings	–	–	–	–	–
Personal Contributions	150,000	–	–	–	150,000
Total Cash Inflow	$326,353	$440,881	$529,058	$617,234	$1,913,526
Cash Outflow					
Grapes	–	–	–	$371,800	$371,800
Processing Grapes	–	–	–	48,819	48,819
Wine Processing	–	–	–	192,708	192,708
Bottling	$6,424	$6,424	$6,424	6,424	25,696
Packaging	71,907	71,907	71,907	71,907	287,628
Sales Fees/Expenses	38,250	38,250	38,250	38,250	153,000
Sewage Disposal	4,682	4,682	4,682	4,682	18,727
Labour	41,616	41,616	41,616	41,616	166,464
Advertising/Promotion	19,456	19,456	19,456	19,456	77,822
Insurance	2,645	2,645	2,645	2,645	10,581
Business and Property Tax	4,942	4,942	4,942	4,942	19,768
Maintenance/Repair	2,622	2,622	2,622	2,622	10,487
Office and Store	3,329	3,329	3,329	3,329	13,317
Dues and Fees	3,121	3,121	3,121	3,121	12,485
Utilities	6,034	6,034	6,034	6,034	24,137
Telephone	1,561	1,561	1,561	1,561	6,242
Professional — Accounting/Legal	2,601	2,601	2,601	2,601	10,404
Operating Loan Interest	2,653	2,483	–	–	5,136
Principal and Interest on Debt	31,551	31,551	31,551	31,551	126,204
Capital Purchases	75,000	75,000	75,000	75,000	300,000
Total Cash Outflow	$318,394	$318,224	$315,741	$926,068	$1,881,427
Surplus (Deficit)	$7,959	$122,657	$213,317	$(311,834)	$32,099
Cash (Operating loan)	$(116,865)	$5,792	$219,109	$(92,725)	$(92,725)

Table 6-8: Estimated Cash Flow Projection (20,000-case Winery) (cont'd)

Year 5

	Jan–Mar	Apr–June	July–Sept	Oct–Dec	Current Year
Cash Inflow					
Wine Sales	$204,282	$510,705	$612,846	$714,987	$2,042,820
Term Borrowings	–	–	–	–	–
Personal Contributions	80,000	–	–	–	80,000
Total Cash Inflow	$284,282	$510,705	$612,846	$714,987	$2,122,820
Cash Outflow					
Grapes	–	–	–	$371,800	$371,800
Processing Grapes	–	–	–	49,740	49,740
Wine Processing	–	–	–	196,344	196,344
Bottling	$6,545	$6,545	$6,545	6,545	26,180
Packaging	73,345	73,345	73,345	73,345	293,381
Sales Fees/Expenses	39,015	39,015	39,015	39,015	156,060
Sewage Disposal	4,776	4,776	4,776	4,776	19,102
Labour	42,448	42,448	42,448	42,448	169,793
Advertising/Promotion	19,845	19,845	19,845	19,845	79,378
Insurance	3,064	3,064	3,064	3,064	12,257
Business and Property Tax	5,041	5,041	5,041	5,041	20,163
Maintenance/Repair	2,674	2,674	2,674	2,674	10,697
Office and Store	3,396	3,396	3,396	3,396	13,583
Dues and Fees	3,184	3,184	3,184	3,184	12,735
Utilities	6,155	6,155	6,155	6,155	24,620
Telephone	1,592	1,592	1,592	1,592	6,367
Professional — Accounting/Legal	2,653	2,653	2,653	2,653	10,612
Operating Loan Interest	1,970	2,777	–	–	4,747
Principal and Interest on Debt	31,551	31,551	31,551	31,551	126,204
Capital Purchases	75,000	75,000	75,000	75,000	300,000
Total Cash Outflow	$322,254	$323,061	$320,284	$938,168	$1,903,767
Surplus (Deficit)	$(37,972)	$187,644	$292,562	$(223,181)	$219,053
Cash (Operating loan)	$(130,697)	$56,947	$349,509	$126,328	$126,328

Table 6-9: Projected Income and Expense Summary (20,000-case Winery)

	YEAR 1	YEAR 2	YEAR 3	YEAR 4	YEAR 5
SALES	–	$916,285	$1,374,131	$1,763,526	$2,042,820
COST OF SALES					
Opening Inventory	–	$889,725	$1,334,495	$1,556,928	$1,590,272
Production Costs	$889,725	900,081	915,966	926,651	937,445
Ending Inventory	(889,725)	(1,334,495)	(1,556,928)	(1,590,272)	(1,487,993)
	–	$455,311	$693,533	$893,307	$1,039,724
GROSS PROFIT	–	$460,974	$680,598	$870,219	$1,003,096
GROSS PROFIT (%)	0%	50%	50%	49%	49%
EXPENSES					
Advertising/Promotion	$18,700	$74,800	$76,296	$77,822	$79,378
Business and Property Tax	10,000	19,000	19,380	19,768	20,163
Dues and Fees	3,000	12,000	12,240	12,485	12,735
Insurance	2,700	5,498	8,245	10,581	12,257
Interest on Bank Indebtedness	–	9,760	5,980	5,136	4,747
Interest on Long-term Debt	21,116	80,840	76,666	72,107	67,129
Labour	56,000	160,000	163,200	166,464	169,793
Maintenance/Repair	–	10,079	10,281	10,487	10,697
Office and Store	3,200	12,800	13,056	13,317	13,583
Professional — Accounting/Legal	15,000	10,000	10,200	10,404	10,612
Sales Fees/expenses	25,000	50,000	150,000	153,000	156,060
Sewage Disposal	15,000	18,000	18,360	18,727	19,102
Telephone	1,500	6,000	6,120	6,242	6,367
Utilities	5,800	23,200	23,664	24,137	24,620
	$177,016	$491,977	$593,688	$600,677	$607,243
NET INCOME (LOSS) FROM OPERATIONS	$(177,016)	$(31,003)	$86,910	$269,542	$395,853

Adjustments for a Fruit Winery

Fruit wineries require the same basic equipment and space as grape wineries, with some variations as noted below.

Equipment:

- Pulper/chopper rather than destemmer crusher
- Stone fruit or cider press
- Combination plate/lees filter (20-plate) 40 cm × 40 cm (approximate cost $17,000)
- Oak barrels may not be needed. Oak chips may be substituted.

The following assumptions are made in Table 6-10:

- 525 litres per tonne if a lees filter is used, and
- 430 litres per tonne if a lees filter is not used.

Differences in production costs between a grape and fruit winery have not been investigated for purposes of this example.

Summary

There are opportunities for the entrepreneur in the wine industry. However, wineries need a sizeable financial investment to become a profitable business. The establishment period is long because of the time required to make and age wine, and the need to hold inventory for future sales. Adequate financing and a carefully prepared business plan are critical to the successful start-up of a winery.

The format of the tables and the information in this section may be useful in preparing the financial plan portion of your business plan. However, it is important to remember they are examples only and are not acceptable as real content of a working plan.

From these tables, it is obvious that small changes in pricing and sales volume have a substantial impact on profitability. For that reason, individual consideration needs to be given to each situation. In addition, the most recent laws and regulations must be considered, along with individual details on production, marketing, human resources and financial management specific to each winery (refer to Chapter 2 for information on creating a complete business plan for a new winery).

Table 6-10: Juice and Wine Production Estimates for Tree Fruits

Cultivar	Yield (tonnes/acre)	Litres of Juice per Acre	Litres of Wine per Acre	Cases of Wine per Acre
Tree Fruits	6 to 8	3,444 to 4,592	3,150 to 4,200 2,580 to 3,440	350 to 466 286 to 382

CHAPTER 7: *Marketing Your Winery*

The new winery owner must exercise as much care in designing a marketing strategy as in making the wine. Because all aspects of a winery business are related to the marketing of a fine wine, the marketing plan is usually recommended to be the first plan developed in the business plan.

Most new wineries choose to sell their wines directly to the public through their winery retail store. Some will also be able to list their wines in upscale local restaurants or in one of the special programs of the Liquor Control Board of Ontario (LCBO).

As the winery grows and sales increase, the winery may choose to increase its exposure by listing some wines with the LCBO stores. In this option, the winery exchanges a higher mark-up on the price of the wine sold for wider recognition and increased volume of sales.

The Four Ps of Marketing

The four Ps of marketing are the elements that define the marketplace for a new winery owner. A marketplace is made up of customers with different tastes and expectations. An entrepreneur has to decide which consumer preferences (markets) to appeal to or whose tastes to satisfy, based on:

- Product
- Promotion
- Price
- Place

These four elements form 90 percent of a marketing plan. Of course, the rules are not hard and fast.

The first thing that must be remembered is that the goal of a marketing plan is to **increase net income.** While increasing sales volumes is a common way to achieve that goal, other ways are to increase the price of the product, or to reduce costs.

> ***The goal of a good marketing plan is to make more net income. Increasing sales volumes is only one means to that end.***

Let's look at the four Ps and some questions a new winery owner might consider in developing a marketing strategy.

Product

The core products that the winery makes are a variety of wines with different characteristics. This publication assumes that the winery owner can make quality wine and bottle it well. This chapter does not try to describe a good wine, except to say that if buyers do not find the wine quality acceptable from the outset, the winery will have a very difficult time overcoming that first impression. (Chapter 5 outlines the quality control programs that address this aspect.)

As you envision your winery, ask yourself these questions:

- Can your winery consistently produce quality wine?
- What is needed to ensure quality wine every time (an experienced winemaker, grape or fruit varieties, growing location, process knowledge, quality control process, better equipment, etc.)?

- What about the label? Is it attractive to your target customer?
- What about the bottle itself (does the buyer want a 1.5-litre bottle or a 750-ml bottle; what feature is most important to the buyer of a 1.5-litre bottle)?
- What makes the customer try the wine in the first place (if it is being sold through a winery retail store, what ambience attracts the customer in the first place; what entices customers to buy the wine; is there an opportunity to taste wines; is shopping in the store a pleasant experience)?

The product is much more than the wine alone. It is the complete package of product and services that serve to satisfy customers and bring them back again and again.

Product Packaging

Regulations for cases and cartons, and the printing thereon, are described in the LCBO booklet, *Product Packaging Standards*. These standards include package size and weight, pallet sizes and loading specifications, standards for tamper-evident packaging, etc.

Universal Product Code (UPC) information is described in a paper by the Canadian Association of Liquor Jurisdictions. New wine manufacturers will need:

- a Company (Manufacturer) Number; and
- a UPC Implementation Guide.

These can be obtained from the Electronic Commerce Council of Canada (see Appendix 2).

Product Labelling

LCBO labelling requirements are described on LCBO Form LCB 1624 Request for Label Examination. The LCBO will examine the proposed label and suggest changes needed to comply with the regulations. Form LCB 1624 also contains the request for label examination. It may be ordered from the LCBO Merchandising Division (see Appendix 1). Standards for food labelling are set by the Canadian Food Inspection Agency (CFIA).

The Request for Label Examination must be received by the LCBO within 21 days of the date of notification that the listing has been conditionally granted.

VQA wines are subject to specific labelling requirements and label review. Vintners Quality Alliance Ontario (VQA Ontario) will review labels on request prior to the labels being printed.

Labelling Wine for Private Sale

All food and beverage labels must meet the standards of the Canadian *Food and Drugs Act* and Regulations and the *Canadian Consumer Packaging and Labelling Act* and Regulations. These standards include the minimum label size, name and description of the product, the net metric volume, name and address of the manufacturer, alcohol strength and country of origin. The detailed labelling requirements for wine are spelled out in the LCBO *Product Packaging Standards*. This publication also outlines specifications for cartons and cases, date codes, UPC or bar code, and tamper-evident packaging.

Promotion

Your promotional plan should achieve two goals: to attract customers in first place, and to remind them to come back again. Both are important. It's not enough that you have good wines; customers need a reason to visit your store or pick up the bottle the first time. There are lots of other good wines in wine and liquor stores everywhere. So how do you create a sense of intrigue, a sense of mystery and a unique experience around your winery retail store or bottle of wine?

A complete promotional program will focus on three factors:

- creating the expectation;
- delivering the product; and
- getting repeat business.

Creating the Expectation

Nearly every community has an LCBO store, stocked with good-quality, good-tasting wines. You must begin by asking yourself why anyone would go out of their way to enter your particular winery retail store. The answer is, of course, that they are looking for something different — better value perhaps, or a unique experience in the form of a new taste or a sense of being closer to the winemaker.

Expectations are created in any number of ways, through:

- the appearance of the winery store;
- the character expressed by the signage;
- the method and appearance of advertising; and
- in-store displays and demeanour of the store staff.

A successful promotional program reflects the needs or desires of the community that the winery seeks to serve. Market research is designed to reveal that information.

Delivering the Product

While your signage, advertising, and appearance and location of your store will cause buyers to try a bottle of your wine, whether they become repeat customers depends largely on the **value** they place on the product itself. Value is subject to individual judgement, based on such factors as quality, price, service and "bragging rights." The relative importance that people place on these factors will determine how they feel about your product.

Value may also express the relationship between the buyer's preference and price. If the buyer is serving the wine to dinner guests and is complimented on the wine by his guests, price may not be the main criterion for value. On the other hand, if the buyer is looking for a bottle of wine for dinner every evening, he or she may be prepared to sacrifice a little character for a lower price. (Remember, the goal of the promotional program is to maximize net income, not sales volume.)

Getting Repeat Business

Today's wine consumers are educated consumers. They may be enticed to buy their first wines by a clever advertising program, an attractive label or an interesting store, but to get them to come back again, the value must be inside the bottle. In other words, the promise must be delivered. As the saying goes, "you never get a second chance to make a first impression." So the new winery owner must sell a quality wine the first time. While it is the customer who defines that quality, the astute winemaker must determine what is most important to the most likely buyer and deliver that package consistently.

Many successful wineries use a combination of strategies to attract first-time customers and to keep them coming back. Apart from delivering consistent value, little "reminders" help to keep your name in front of your customers. Special programs, advertised specials, community tastings, sponsorship of and participation in charity events, and so on, are all useful strategies.

Role of "Tastings"

Wineries and winery retail stores regularly conduct tastings of their wines for interested customers and touring groups. At the time of writing, the guidelines for tastings are being reviewed by the AGCO. Wine manufacturers are strongly advised to **obtain the guidelines from the AGCO** Web site and to follow them closely when conducting tastings.

The following suggestions do not have the sanction of any regulatory body but are general guidelines that make tastings a pleasant experience and reduce risks to the winery.

- No more than four products should be available for sampling at any one tasting.
- A serving should contain no more than 28.4 ml (1 fluid ounce) of wine (may contain less).
- Serving glasses used during tastings must be disposable if no facilities for washing glasses are available.
- If glassware is used, it must be cleaned and sanitized to standards outlined in the Ontario *Health Protection and Promotion Act*, Food Premises Regulation 562.

- Do not serve food in conjunction with tastings, except, perhaps, crackers.
- Ensure that staff who conduct tastings have received Smart Serve® training (see Chapter 4). While training is not mandatory for winery personnel who conduct tastings, Smart Serve® certification is recommended to train servers to identify alcohol-related problems and reduce risk of liability for the winery.

Wine tastings serve the purpose of demonstrating the quality of the specific wines sampled. They can also teach consumers how to choose wines for different occasions and which wines to serve with different foods. If conducted properly, tastings can be a powerful promotional tool for the new winery.

Tastings at LCBO Stores

Wineries and their agents who market wines through LCBO stores may conduct "in-store tastings" from time to time at approved LCBO stores and Combo stores. For complete details, contact the LCBO In-Store Tasting Program Administrator at (416) 864-2559 or e-mail smithd@lcbo.com.

AGCO Advertising Guidelines

The Alcohol and Gaming Commission (AGCO) booklet, *Advertising Guidelines*, is recommended reading for anyone who is advertising wine or wine products. These guidelines outline the do's and don'ts of alcohol advertising. There are many laws governing promotion and advertising of alcoholic beverages. The unwary manufacturer can easily fall into the trap of appealing to minors, linking alcoholic beverages with sports activities, implying alcohol use in a public place, giving away a free gift or using other promotional tactics inappropriate for advertising alcoholic beverages.

Regulations under the *Liquor Licence Act* permit a manufacturer to advertise liquor (wine) "within specified criteria and in accordance with these guidelines." These guidelines focus on specific criteria for advertising liquor and provide interpretations of the criteria.

Note: It is the responsibility of the manufacturer to ensure that any advertising of its business or brand name, or any endorsement by it, falls within the parameters set out by the guidelines. Advertising that is beyond the scope of the guidelines may result in disciplinary action by the Registrar of Alcohol and Gaming and/or an order of cessation by the AGCO Board. Violations of the *Liquor Licence Act* or its regulations may result in prosecution.

The AGCO *Advertising Guidelines* may be found on the AGCO Web site at www.agco.on.ca

Researching Your Customer Base

The new winery owner is often tempted to use a scatter-shot approach to advertising. Unfortunately, it is easy to spend more money on promotional activities than the winery will receive in additional sales: a planned, properly researched approach is essential. Market research will reveal what group of consumers is most likely to purchase your wine, and what qualities and services are important to them. This is known as your target market.

Key Areas to Research

- **Product and Service Features and Benefits.** What are you selling? Why would people buy it?
- **Target Market.** How would you describe your customers? What are their wine tastes?
- **Marketing Options.** How can you best reach your most likely customers?
- **Existing Market Demand.** How many potential customers are there in your marketing area? How much are they likely to buy (volume and dollars)? What kinds of wine do they prefer?
- **The Competition.** Who are they? Who are they selling to? What are their strengths and weaknesses? What is their market share? What are the best-selling wines in your marketplace? Why are they in that position?
- **Market Trends.** What's happening in the industry? How is the industry changing? Is wine consumption increasing, flat or decreasing? Is the trend toward higher- or lower-priced wines?
- **Expected Price.** What are the highest, lowest and most common prices? What factors influence price?

- **Expected Sales Volume.** How much wine will you be able to sell in each of the first three years? What factors influence sales volume?

Customer Research Methods

- **Personal Interviews.** This is, perhaps, the most effective research tool for a winery serving a local community. These interviews can be conducted wherever people congregate, on the street or door-to-door. However, don't assume you have interviewed a representative sample of your market or that the views they express will be translated into sales. Many people must be interviewed before you can have a high degree of confidence in the results (see Table 7-1 below).

- **Focus Groups.** This method is often more in-depth and personal than on-the-street or door-to-door interviews, but it is difficult for a beginner to set up and manage focus groups, especially if you want to have tastings. A licence is needed if they are to be held off-premises. Otherwise, groups could be held as part of an existing program at a club or special organization — these might even be more representative of your preferred customers than a general sample. Special events on the winery premises can serve as focus groups; however, there must be ample opportunity for structured, two-way discussion.

- **Telephone Blitz.** This method is faster and less expensive than personal interviews, but less reliable in its results. You can hire a marketing research consultant or your own operators to phone a large number of people with structured questions about wine preferences. If you are located in a Viticulture Area or a region where there are many wineries, you may also want to ask about winery visits and preferred restaurants.

- **Mail-out Questionnaires.** This is the lowest-cost option, but it has a low rate of return. An enticement, such as admission to a special winery program, can increase the rate of return.

No matter what methods are used to get market information, a large number of people must be surveyed if the winery owner is to have confidence in the results. Table 7-1 indicates the number of respondents within a given population needed to provide a 95-percent confidence level in the results.

Table 7-1: Statistically Valid Sample Sizes for Market Research

Population	+/-5%	+/-10%
>10,000	400	100
10,000	370	100
5,000	360	95
4,000	355	95
3,000	345	95
1,000	280	90

According to this table, a population of 5,000 people could be sampled accurately if 360 people responded to the survey. The results would be accurate to within 5%. In other words, if 360 people responded to the survey and 180 of them indicated a favourable response to your product, you could expect that between 45% and 55% of the people in the population of 5,000 would react favourably to the same product.

Signs

Effective signage conveys an image about your winery and is located where your target market customers will see it. Signs do two things for your winery:

- they let people know you are there; and
- they give an impression about the quality of your winery.

Road or street signs are regulated by the municipality in which your winery is located or by the level of government that owns the road or street in question. This body should be approached for approval before erecting signage (see Chapter 3).

Tourism-oriented Directional Signs (TODS) bearing your winery's name can be placed along provincial highways if certain conditions are met: the winery must have a tourism focus, and be open to the public at specified times and within certain distances from the location of the sign. Annual costs range from $200 to $2,500, depending on location and road type, and the design and manufacture of the sign. For complete information contact Canadian TODS Ltd. at 1-888-263-9333.

Price

It has been said that more businesses fail because of poor pricing policies than for any other reason. It is important to remember that price reflects both demand for the product and the quality of the product. For instance, a consumer looking for a wine to serve on a very special occasion would likely choose a $13 to $20 wine rather than a $9 bottle. But if the $20 wine tastes like a $9 wine, the customer won't likely be back for that or any other wine under your label.

On the other hand, if a $10 bottle contains wine that should be worth $20, the winery is not maximizing its return for excellence. If a winery is consistently producing $20 wine for a clientele that is only willing to pay $9, it should be looking for a new market in which to sell its product. It may be that a new label, a more upscale store or even a new name is needed to provide a new image for the quality wines it produces.

It is also important to remember that competitive does not mean cheap when it comes to pricing. Earlier in this chapter, the relationship between value and price was discussed. Value, or the buyer's preference, like beauty, is often in the eye of the beholder. A low price creates the image of a low-quality wine. It attracts a price-sensitive customer, who is willing to sacrifice some quality for price. If your research has indicated that you can make more money moving higher volumes at slightly lower quality and price, you may well target this type of customer.

But the goal of a marketing strategy is to maximize the net income of the business, not just increase sales volume, through a strategy that looks at the effect of sales volume, price per unit and costs combined. For instance, if it costs $7 to produce a $9 wine and 10,000 bottles are sold, the net return on investment would be $20,000; on the other hand, if an increased cost of $3 per bottle produced a $20 wine and only 5,000 bottles were sold at that price, the net return would be $50,000.

The examples above are not intended to reflect real situations, but they demonstrate the effect of different pricing policies. Here are some other questions you should consider when pricing your wines:

- Who, specifically, are your target market customers? What are they willing to pay for your wine?
- Is your wine priced competitively with other wines of equal quality in the same marketplace?
- Does the combination of volume, price and costs result in the highest possible net return on investment?
- Is the market you now serve willing to pay what your wine is worth, or should you be targeting a different client group?
- If your wine is also sold at LCBO stores, it must be sold at the established price wherever it is sold, whereas if it is sold only through your winery retail store, you have more flexibility in pricing. Information on the LCBO pricing structure for Ontario wines appears later in this chapter.

Place

Whoever said that the three most important factors for business success are "location, location, location"? Certainly, the location of your winery retail store can have a huge impact on sales and on the promotional strategies you employ to get people in the door. If you are located on the Niagara Wine Route and produce VQA wines, you have a great advantage in attracting tourists — you also face the most competition from other wineries. On the other hand, if you are making high-quality fruit wines in Eastern Ontario, and are located off the beaten track, you may need to compensate by linking your winery to other tourist initiatives and finding some popular restaurants willing to feature your wines.

Locating your winery retail store where it is convenient for your main client base is a distinct advantage. Not only does it increase your volume of sales, but it also makes it more difficult for a competitor to locate closer to your customers. Customer loyalty is not a commodity that the winery can count on for very long. Wine drinkers are particularly prone to seeking out new taste experiences, so the winery owner must always provide new reasons for customers to return.

Location is not the only kind of "place" involved in marketing your business. Place also implies the means of getting your product to the customer, and the customer to the product. Some questions to consider are:

- What are the most effective ways to get your wine to the target customers?
- What tourist attractions are nearby that you can tie in with?
- Are there restaurants nearby that will feature your wines?
- Are there other quality wineries or groups nearby that will cooperate in wine festivals, wine-and-cheese festivals, gourmet food exhibits, etc.?
- Is it preferable to target higher-volume sales at wholesale prices through LCBO stores or smaller volumes at retail prices through your winery retail store?

Other Methods of Distribution

The term "place" is just another way of saying distribution. There are a number of ways to get your wine to the customer.

Third-party Carrier Delivery

This type of distribution allows a third-party common carrier to deliver wines to homes or businesses on behalf of the winery. To be delivered, wines must have been ordered specifically through the winery retail store. The price charged must be the same as that charged in the winery retail store plus the third-party delivery charge.

Operators of a liquor delivery service are required to have a Liquor Delivery Service (LDS) licence from the AGCO. This licence is valid for two years, and may be renewed for three-year periods. The wine delivered must have been ordered by, and be delivered to, a person 19 years of age or older.

An LDS licence is not available to wineries or winery retail stores. The holder of an LDS licence may not own any financial interest in a winery or a winery retail store. Details are available from the AGCO.

Direct Delivery to Licensed Establishments

A winery retail store may not sell to licensed establishments. All sales to licensed establishments are considered LCBO sales. However, wineries may apply to the LCBO for approval to deliver wine directly to licensed establishments on behalf of the LCBO.

Upon approval, either the winery itself, or a person who is legally entitled to do so (such as a manufacturer's representative licensed with the AGCO under the *Liquor Licence Act*), may deliver wines directly to licensed establishments.

The LCBO Direct Delivery Authorization program is available from the Director, Corporate Policy at the LCBO (see Appendix 1). Under this program, wineries may not charge any delivery fees for wines that they deliver to licensees. All direct delivery sales of VQA or non-VQA wines must be reported to the LCBO on the appropriate forms within 10 days following the end of each month, accompanied by the appropriate remittance.

On sales of non-VQA wines, the winery must submit the total collected from the sale less the Cost of Goods Sold (COGS), the Freight Case Rebate and the GST on the COGS. On VQA wines, the amount remitted includes the 12% gallonage fee, the net GST, the bottle levy, the environmental fee and the 2% winery retail store administration fee. Details of these fee calculations are explained under LCBO Pricing later in this chapter and in the LCBO *Direct Delivery Authorization* publication and reporting form.

Participation in Licensed Events

Participating in licensed functions or events may be more promotional than sales-driven, although getting your best wines on the tables at special community functions can help to drive future sales.

The organizer of the event is required to ensure that the function is held under the authority of an AGCO Special Occasion Permit (SOP) or a Catering Endorsement.

All wine made available at the event must be purchased under the organizer's permit/licence from a government store, which includes a winery retail store. The only exception to this rule is an event held under the authority of a Fundraising SOP, in which case, the event organizer may accept wine that is donated by the manufacturer.

Positioning: The Fifth "P"

Positioning, in a marketing sense, is the conscious attempt to make customers think about your winery and your wines as number one, number two and so on. It is a conscious attempt to impress in customers' minds the understanding that your winery is *the* place to go for wine products.

If all of the wineries competing against yours are on the rungs of a ladder, then there are different ladders for different target markets. One ladder may be "fine wines," while another may represent "everyday good value." Each new winery owner must decide what ladder to be on.

If your primary customer group wants a high-quality wine that is priced accordingly, then you position yourself on the ladder of upscale wines and wineries, and compete to climb to the top rung by producing the very finest wine on the market. You may try to become, or hire, the best winemaker you can find; design a label that attracts a discriminating buyer; compete for national or international awards; set prices in accordance with high quality; and market to high-end clubs, hotels, corporations and customers. You might also build a winery retail store that has an expensive look and a "tied house" that caters to a fine-dining clientele.

If your goal (or top rung) is to send people home to dinner with a good-quality, affordable wine, you would be fortunate if your vineyard or orchard and winery is located on a busy commuter route. An attractive, highly visible winery retail store and a reputation for interesting flavours at a reasonable price would help to entrench your market position. On this ladder, your main competitors may be the LCBO stores and wine kiosks that offer wide variety and a range of prices. Your positioning strategy may be your unique wines, competitive pricing, attractively packaged information about each wine and personalized service.

If your vision statement indicates that profit is your highest goal, then you will look for the best combination of quality, price, volume and cost that will enable you to stand near the top of the profit ladder. Whether you stand on the top rung, the bottom rung, or somewhere in the middle will depend on your skill in understanding your clients and in out-performing your competition.

You must decide which rung you want to want to be on. What wineries do you want to share a rung with or to knock off your rung? What marketing strategies are you going to use to get there?

Remember that, at all times, there are other wineries trying to occupy your rung on the ladder or to knock you down to a lower rung. To compete successfully, your positioning strategy must be flexible. It is unrealistic to expect to be alone on a rung for very long. Your sales achievement will likely be a *share* of the market, so it is important to know what your competitors are offering, how it is being received and how it is affecting your sales. Your marketing efforts can be directed to maintaining your position on the ladder.

Marketing is a complex and fascinating discipline. It is much more than an advertising campaign. It should be calculated to result in both higher sales volume and higher profit, not one or the other. The winery owner who understands and applies all of the principles of wise marketing will have a great advantage in this highly competitive industry.

Exporting Wine

Winemakers frequently consider the export market when they are developing marketing strategies and plans. On the surface, exporting offers an

opportunity to market wine directly and to become known on an international scale. On closer scrutiny, however, export markets are difficult to access and full of pitfalls for the new winery owner.

Three main export markets are available to Ontario winemakers:

- U.S. bordering states;
- parts of the European Union (EU); and
- Asia (mostly China).

Each of these regions has its own specific needs and requirements for imported wines, but none of them is actively seeking to import wine from Canada. Every other wine-producing region in the world is looking for the same opportunity to increase their wine exports, so the competition is still on the basis of both quality and price.

Before considering exports, a winemaker should consider several factors:

- Is the product performing well on the home market?
- Can the product be competitive in the target marketplace?
- Is the product sufficiently unique to create demand in the target marketplace?
- Is the management team prepared to devote the time, travel and resources to maintaining a successful export market?
- Can the winery sustain the added cost of export market development?
- Can the winery sustain lengthy credit arrangements and potential default of payment?
- How will entering the export market affect the winery's current marketing strategy?
- What international marketing training and expertise is available to the winery on a long-term basis?

International marketing is an expensive, complex and risky business. It should be undertaken only when a winery has reached a level of market and economic stability in the Ontario marketplace.

Exports to Europe

An Export Certificate is required for any wine being exported from Ontario to the EU. These certificates are issued by VQA Ontario. They are available only for VQA wines, according to a trade agreement with the EU. Interested wineries should complete VQA Form 3004, Request for Export Certification (for export to the EU only).

Export Trade Assistance

Several sources of information and assistance are available to new exporters:

- **Department of Foreign Affairs and International Trade (DFAIT)**
  www.dfait-maeci.gc.ca
  Canadian Trade Commissioner Service
  Export training and development
  www.exportsource.ca
  Export development assistance programs
- **Industry Canada: International Trade Centres**
  http://strategis.ic.ca/SSG/
  Information on exporting and business planning
  International market research and trade data
- **Export Development Canada**
  www.edc.ca
  Trade financing and risk management service
  Market, customer and competitive intelligence
- **Canadian Food Exporters Association**
  www.cfea.com
  Helps members determine export readiness
  Assists in developing export business

International Trade Training Programs

- **P.R.O.F.I.T. (Program to Raise Ontario Food International Trade) Seminars**
  Two-day seminars to train new exporters in trading with the United States (seminars run twice yearly)
  Operated by Ontario Ministry of Agriculture and Food, Food Industry Division
  www.gov.on.ca/omaf/
  Phone: 1-888-466-2372 ext. 64210

- **New Exporters to Border States (NEBS)**
  DFAIT program to train new exporters to the United States
  www.dfait-maeci.gc.ca/arts/devel_nebs-en.asp
- **Program for Export Market Development (PEMD)**
  A repayable contribution toward the initial cost of penetrating new export markets
  www.infoexport.gc.ca/programs-e.asp

LCBO Marketing Programs

The Ontario wine market is very large, sophisticated and internationally competitive. It is one of the few world markets in which customers regularly purchase wines from many different countries. Canada's free trade obligations ensure that foreign manufacturers have access to Ontario wine consumers.

Because the LCBO selects "the best of the best" in both price and quality from all major wine-producing areas of the world, Ontario consumers have learned to select high-quality wines from many countries. Accordingly, as a winery grows from a farm-gate winery into a successful LCBO supplier, the manufacturer will have learned to compete with the best winemakers in the world. In addition, LCBO suppliers must develop the production and marketing capacity to supply a 600-store chain serving millions of customers.

To facilitate this transition, the LCBO has a number of specialized merchandising programs available exclusively to smaller Ontario wineries that are ready to expand beyond their local market. These are listed below under LCBO Retailing Options.

LCBO Marketing Requirements

Marketing your wine products through the LCBO offers the advantage of exposure to a much wider market than any winery can access on its own. It also allows wineries to take advantage of promotional programs and warehousing opportunities offered through the LCBO, with some conditions and limitations attached:

- You must be able to supply the market. If shelf space is allotted to your Cabernet, you must ensure that there is sufficient product to meet the sales demand.
- You must meet the assigned "quota" of sales. Each wine is allotted a certain sales quota or target. This is reviewed every two months, and if your product fails to meet its sales quota, it may be de-listed.
- Price is set within LCBO guidelines. If your price is deemed excessive, the product may be de-listed.
- The product must meet the LCBO's health and label standards.
- Wines must meet the LCBO's standards for quality and chemical composition (see Chapter 5 for quality control measures).
- You must sell the product on a wholesale basis to allow for LCBO's mark-up and handling costs.
- The product must retain its quality throughout the listing period. Products found to be "defective" will be de-listed and removed at the owner's cost.

These conditions may seem daunting, at first glance, but they are standards that should be maintained by suppliers in any marketing system. They will not be a threat to the good wine manufacturer.

LCBO Labelling Requirements

LCBO labelling requirements are described on Form LCB 1624, Request for Label Examination. The LCBO will examine the proposed label and suggest any changes needed to comply with the regulations. Form LCB 1624 contains the instructions for making a request for label examination. This request must be received by the LCBO within 21 days of the date of notification that the listing has been conditionally granted. Standards for all food labelling are set by the Canadian Food Inspection Agency (CFIA).

LCBO Packaging Requirements

Regulations for cases and cartons, and the printing thereon, are described in the LCBO booklet, *Product Packaging Standards*. These standards include package size and weight, pallet sizes and loading specifications, standards for tamper-evident packaging, etc.

Universal Product Code (UPC) information is described in a paper by the Canadian Association of Liquor Jurisdictions. New wine manufacturers will need:

- a Company (Manufacturer) Number, and
- a UPC Implementation Guide.

These can be obtained from the Electronic Commerce Council of Canada (see Appendix 2).

LCBO Retailing Options

LCBO Wines Category — General Purpose

The LCBO purchases wines for sale in their stores across Ontario based on an assessment of applications for listing submitted by suppliers or their agents. This assessment is based on quality and price of product, packaging and presentation, the manufacturer's marketing plans and performance.

Established wineries that can supply quality wines in sufficient volume and can provide sales and marketing support for the LCBO retail network may submit applications. If a wine fails to meet its projected sales target, it will be de-listed and replaced with a more competitive product.

LCBO Hotline Program

The Hotline program is of most benefit to on-farm and premium-product wineries. It is designed to provide exclusive, "niche" retailing opportunities for Ontario wines in specific LCBO stores. The wines are pre-selected by the LCBO and are placed within local stores, with the winery delivering orders directly to that store.

LCBO Destination Store Program

Makers of premium wines that do not have sufficient volume to supply all LCBO stores may take advantage of this program. The LCBO Wines Category selects premium products for distribution to 18 LCBO destination stores and licensee depots. Suppliers of both domestic and imported wines may participate.

Vintages and Vintages Classics Catalogue

The LCBO's Vintages Category purchases premium wines, limited-production wines and niche products in specific quantities. Typical participants are established, small, ultra-premium producers and larger estate wineries. Ice-wine sales are made through the Vintages Category at the LCBO.

LCBO Craft Winery Selection (Incubator Program)

Craft Winery Selection is designed to assist smaller wineries with VQA brands that have the potential to be successful in the LCBO Wines Category. Typical participants would be smaller, established wineries that have had success in the Hotline, Destination or Vintages programs and that have the resources to expand their wineries to serve the entire LCBO system.

LCBO Pricing

The LCBO is empowered by the *Liquor Control Act*, the *Liquor Licence Act* and other supporting legislation to:

> fix the prices at which various classes, varieties and brands of liquor are to be sold and, except in the case of liquor sold through an outlet designated by the Minister of [Canada Customs and Revenue Agency] under the *Excise Act* (Canada) as a duty-free sales outlet, such prices shall be the same in all government stores.

The *Liquor Control Act* defines a government store as "any store ... authorized ... for the sale of spirits, beer or wine." The winery retail store is defined as a government store under the Act. This means that

the LCBO is responsible for establishing pricing policies for all wine sold in the province of Ontario.

There are two principles governing the setting of wine prices in Ontario. They are:

- maintaining uniform prices across Ontario, and
- establishing a minimum price.

Uniform Prices

Prices for a specific bottle of wine are uniform across the province. Therefore, the price charged for a bottle of wine at the winery retail store must be the same as the price for the same bottle at the LCBO store.

Floor Price

All wine that is sold in Ontario is subject to the **Non-Discriminatory Reference Price (NDRP)**. The NDRP is the lowest price that the LCBO will pay for a product, including supplier quote and freight. It is often referred to as the **wholesale floor price**. This pricing mechanism was established by the Ontario government as a means of encouraging responsible consumption of wine.

The NDRP for bottled wine is currently set at $2.0994 per litre. The NDRP for bulk wine is subject to a **Minimum Retail Price (MRP)**. It is currently 35.55% of the NDRP of regular wine, or $0.7463 per litre, assessed at the retail price level. Cider is also subject to an MRP based on the NDRP of regular wine. The MRP for draught cider selling in a container of 18 litres or more is $2.88 per litre. Table 7-2 below illustrates MRPs for a few standard sizes.

The NDRP and MRP are not part of the pricing mechanism for Ontario wines. They are supplied to the winery owner by the LCBO when the owner is preparing the "supplier quote" for the purpose of establishing a quoted price to the LCBO. The supplier quote must exceed the NDRP, and the retail price on all wines must exceed the MRP.

Table 7-2: Minimum Retail Price (MRP) for Bottled Wine and Cider

	750 ml	1500 ml	4000 ml
Table Wine	$5.40	$10.70	$28.20
Max. 7% Alcohol	$4.90	$9.65	$25.50
Cider	$3.35	$6.55	$17.30

Pricing Structure for Ontario Wine

The price the consumer pays for wine at an LCBO store is made up of from seven to ten of the components listed below:

- **Quote.** The quote is the price at which the manufacturer offers its product to the LCBO. The combined quote and freight must be equal to or greater than the NDRP. No wine may be sold at any outlet below this price, plus applicable taxes.
- **Federal Excise Tax.** The federal excise tax on wine is charged on the basis of absolute ethyl alcohol per litre. After July 1, 2003, the excise tax will be replaced with a *production levy* at an equivalent rate.
- **Federal Import Duty.** This component applies only to wine imported into Canada.
- **Freight.** Freight charges are imposed on wines being imported from other provinces or countries. The rates vary by type of product and buyer. No freight is charged on wines manufactured by Ontario wineries.
- **Mark-up.** The mark-up is a variable charge applied to various classes of products. It is a fixed percentage of the total landed cost (the sum of the previous four charges, plus the exchange rate on imported wine). Currently, it is 58% for Ontario wines. It pays the cost of operating the LCBO (Distribution), and is the largest single contributor to the consumer price after the quote.

- **Wine Levy.** This is a "flat tax" of $1.50 per litre levied on all wine products. It is not charged on wine coolers, cider or wine creams/flavours.
- **Bottle Levy.** Applied on a per-litre basis, according to the class of beverage. Currently, it is $0.29 on wine and $0.19 on wine coolers and ciders.
- **Environmental Fee.** This levy is applied to all beverages sold in non-refillable containers. It is currently at $0.0893 per non-refillable container (bottle).
- **Ontario Retail Sales Tax (ORST).** The LCBO collects the ORST on the sale of all products in its liquor stores on behalf of the Ontario Ministry of Finance. All winery retail stores must collect and submit this 12% tax.
- **Federal Goods And Services Tax (GST).** This 7% tax applies to all sales of wine. Some rebates apply.

The final selling (retail) price of the wine is the sum of all of the above components, rounded up to the next $0.05, as summarized in Table 7-3.

Table 7-3: Components of Beverage Alcohol Prices

Price Component	Description
Supplier Quote	**Price at which the supplier offers its product to the LCBO (above NDRP)**
+ Federal Excise Tax	Variable tax applied on basis of volume and alcohol content
+ Federal Import Duty	Applies only to imported goods
+ Freight	Rates supplied by LCBO Traffic and Customs Department
= Landed Cost	
+ LCBO Mark-up	58% of Landed Cost
+ Wine Levy	Applied to most wine products at a fixed rate per litre
+ Bottle Levy	Applied to all wine products at a fixed rate per litre
+ Environmental Fee	Applied to all non-refillable products at a fixed rate per litre
= Basic Price	
+ Goods and Services Tax	Fixed rate of 7% applied to the Basic Price
+ Ontario Retail Sales Tax	Fixed rate of 12% applied to the Basic Price
= Selling or Retail Price	Rounded up to the next $0.05

Pricing at the Winery Retail Store

For each wine that is also sold in LCBO stores, the price charged in the winery retail store must be the same as that charged in LCBO stores. For wines that are not sold in LCBO stores, manufacturers are not permitted to sell any wine for an amount less than the current NDRP for wine (see Floor Price, above). If a winery is de-listing a product, it may apply to the LCBO Vice-President, Finance Department, for permission to reduce the price *temporarily* below NDRP.

Winery Retail Store Fees

Each winery must submit the following fees for sales and operation of winery retail stores:

- $265 every two years for each store operated by the manufacturer in Ontario, in addition to the $630 licence fee;
- the following fees monthly:
  - $0.29 per litre bottle levy for wine (1 cent per 34.8 ml of wine), other than coolers;
  - $0.19 per litre bottle levy for coolers (1 cent per 52.63 ml of all wine coolers);
  - $0.0893 environmental levy per non-refillable container (bottle); and
  - 2% of the selling price of all wine sold, net of the ORST, GST, bottle levy and environmental fee.

Selling Directly to Licensed Establishments

A winery may be authorized by the LCBO to sell wine directly to licensed establishments such as restaurants and bars. These sales are deemed to be LCBO sales, and must be sold at the LCBO established price for each product. Authorized wineries are acting on behalf of the LCBO when they accept orders, deliver products and collect payments. The LCBO requires that they comply with the conditions set out in the Direct Delivery Authorization.

Wines that can be sold directly to licensed establishments fall into two categories:

- non-VQA wines; and
- VQA wines.

Before selling either type of wine directly, the winery must submit Form LCB 2056, Product Information Summary for each stock-keeping unit (SKU) to the LCBO. At the end of each month, the winery must submit Form LCB 2054 for non-VQA sales and LCB 2055 for VQA sales.

Non-VQA sales are priced at the LCBO price, including all applicable taxes and levies. The winery collects the licensee price on behalf of the LCBO and forwards these proceeds, less their quote and freight rate, to the LCBO each month.

VQA wines are sold under the same rules as non-VQA wines except that, in lieu of the 58% mark-up and $1.50-per-litre wine levy, the winery pays a 2% administrative fee to the LCBO. Wineries that have been authorized to deliver VQA wines directly to licensees receive the same economic benefit as if the sale were made in the winery retail store.

Tables 7-4 and 7-5 below give examples of pricing for winery retail stores, LCBO stores and direct delivery of wines, along with a breakdown of revenue distribution to the supplier and governments involved. Table 7-6 provides a summary of the various fees and taxes involved in the pricing system, and how these fees and taxes are collected and remitted (see also Chapter 8, Taxes and Duties).

Table 7-4: Pricing Examples for Table Wine: Winery Retail Store and LCBO Store

Pricing Examples for Ontario Table Wine [1] ($Canadian for 750-ml bottle)			
		Winery Retail Store	**LCBO**
PRICE COMPONENTS			
Payment to Supplier		$7.5472	$4.0272
Federal Excise Tax	$0.5122 per litre	0.3842	0.3842
Federal Import Duty		0.0000	0.0000
Freight		0.0000	0.0000
Total Landed Cost		**$7.9313**	**$4.4114**
LCBO Mark-up [2]		0.0000	2.5586
LCBO Wine Levy	$1.50 per litre	0.0000	1.1250
Bottle Levy	$0.29 per litre	0.2175	0.2175
Environmental Fee [3]	$0.0893 per container	0.0893	0.0893
AGCO WRS 2% Administration Fee [4]		0.1267	n/a
LCBO Rounding Revenue [5]		n/a	0.0192
Basic Price		**$8.40**	**$8.40**
Federal GST	7% of Basic Price	0.59	0.59
Provincial ORST	12% of Basic Price	1.01	1.01
Consumer Price		**$10.00**	**$10.00**
REVENUE DISTRIBUTION			
Supplier (including freight)		$7.55	$4.03
Government of Canada		0.97	0.97
Government of Ontario		1.48	5.00
CONSUMER PRICE		**$10.00**	**$10.00**

NOTES:

1. Wine sold in Ontario is subject to the Non-Discriminatory Reference Price for wine. The resulting minimum retail price for a 750-ml bottle of wine is $5.40 per bottle.
2. LCBO mark-up as a share of Landed Cost is 58% for Ontario wines.
3. Environmental Fee applies to containers that cannot be returned for refilling by manufacturer.
4. 2% of Basic Price less bottle levy and environmental fee.
5. Consumer price is rounded up to the next highest nickel.

Table 7-5: Pricing Examples for Table Wine: Direct Delivery

Pricing Examples for Ontario Table Wine [1] Direct Delivery to Licensee Customers ($Canadian for 750-ml bottle)			
		Direct Delivery VQA wines	**Direct Delivery Non-VQA**
PRICE COMPONENTS			
Payment to Supplier		$6.6848	$3.4500
Federal Excise Tax	$0.5122 per litre	0.3842	0.3842
Federal Import Duty		0.0000	0.0000
Freight		0.0000	0.0000
Freight Rebate[2]		0.000^	0.1175
Total Landed Cost		**$7.0689**	**$3.9517**
LCBO Mark-up [3]		0.0000	2.1063
LCBO Wine Levy	$1.50 per litre	0.0000	1.1250
Bottle Levy	$0.29 per litre	0.2175	0.2175
Environmental Fee [4]	$0.0893 per container	0.0893	0.0893
LCBO Administration Fee 2%		0.1443	0.0000
LCBO Rounding Revenue [5]		0.0000	0.0266
Basic Price		**$7.52**	**$7.52**
Tied House Discount 10% of Basic Price		N/A	N/A
LCBO Licensee Discount		0.7520	0.7516
Basic Licensee Price	Basic Price less discount	**$6.7680**	**$6.7647**
Gallonage Fee[6]	12% of Basic Price	0.81	0.81
Federal GST	7% of Basic Price	0.47	0.47
Provincial RST	12% of Basic Price	N/A	N/A
Consumer Price		**$8.05**	**$8.05**
REVENUE DISTRIBUTION			
Supplier (including freight)		6.68	3.57
Government of Canada		0.86	0.86
Government of Ontario		1.26	3.62
CONSUMER PRICE		**$8.05**	**$8.05**

NOTES:

1. Wine sold in Ontario is subject to the Non-Discriminatory Reference Price for wine. The resulting minimum retail price for a 750-ml bottle of wine is $5.40 per bottle.
2. Ontario wine manufacturers receive a rebate of $1.41 per case on direct deliveries of non-VQA wines. This amount is deducted from the LCBO's mark-up.
3. LCBO mark-up as a share of Landed Cost is 58% for Ontario wines.
4. Environmental fee applies to containers that cannot be returned for refilling by manufacturer.
5. Consumer price is rounded up to the next highest nickel.
6. Gallonage fee is collected by winery from licensees on behalf of the AGCO.

Table 7-6: Wine Fees and Taxes

Fee Description	Where is Fee Applied	Who Receives	Other Comments
Payment to Supplier	• Paid to the supplier by LCBO upon shipment	Supplier	
Excise Taxes	• Ontario wineries pay excise taxes when the product leaves the winery. This tax is included in the price wineries charge the LCBO • Taxes are due on imported wines when they leave the LCBO's bonded warehouse	Canada Customs and Revenue Agency (CCRA)	After July 1, 2003, Excise Tax will be replaced by an equivalent *production levy* (see Chapter 8)
Import Duties	• At point of entry	CCRA	All imported wine products
Freight	• Domestic wineries arrange their own shipping to the LCBO	Trucking, rail or shipping company	The LCBO does not charge freight for Ontario wine
Freight Rebate	• Paid to wine manufacturers on cases of direct delivery of non-VQA wine. The amount is deducted from the LCBO mark-up	Wine manufacturer	
LCBO Mark-up	• Added to consumer price	LCBO	Covers the cost of LCBO services
Wine Levy	• Added to consumer price	LCBO	
Bottle Levy, Wine	• Added to consumer price	LCBO/AGCO	Depending on point of sale
Bottle Levy, Coolers	• Added to consumer price	LCBO/AGCO	Depending on point of sale
Environmental Fee	• Added to consumer price	LCBO/AGCO	Depending on point of sale
Rounding Revenue	• Added to consumer price	LCBO	Rounds price up to the next highest nickel
Ontario Retail Sales Tax (ORST)	• 12% tax is incorporated into the consumer price at point of retail sale	Ontario Ministry of Finance	
Goods and Services Tax (GST)	• 7% tax is incorporated into the consumer price at point of retail sale	CCRA	
AGCO Gallonage Fee	• 12% of the price of wine purchased for sale or consumption, by the holder of a liquor sales licence	AGCO	Paid by holder of liquor sales licence on wine purchased for sale or consumption
Winery Retail Store Administration Fee	• 2% of the selling price of all wine, net of ORST, GST, bottle levy and the environmental fee, is paid by wineries each month.	AGCO	This fee applies only to wine sold through the winery retail store
LCBO Administration Fee	• 2% of the selling price of all direct-delivery VQA wine, net of ORST, GST, bottle levy and the environmental fee, is paid by wineries each month.	LCBO	This fee applies only to VQA direct-delivery wine to licensees

CHAPTER 8: *Taxes and Duties*

Federal Excise Tax

Note: Effective July 1, 2003, wine and alcohol will be subject to the new *Excise Act, 2001*. For further information and continuing updates, see the Finance Canada Web site at www.fin.gc.ca

All wineries with gross wine sales exceeding $50,000 are required to operate under a Manufacturer's Excise Tax Licence ("E" licence) and to remit excise taxes. Wineries with gross annual wine sales of less than $50,000 *may* apply for this licence. **Under the *Excise Act, 2001*, vintners of all sizes will be required to be licensed.**

Application for Excise Tax Licence

To apply for a Manufacturer's Excise Tax "E" Licence, complete Form L15, Application for Licence under the Provision of the *Excise Tax Act*. It is available from Canada Customs and Revenue Agency (CCRA) tax offices or by calling 1-800-959-8287 or 1-877-432-5472.

Detailed information on excise tax licensing is contained in Exercise Tax and Special Levies (ETSL) Memorandum 2.1, which is posted on the CCRA Web site.

Filing an Excise Tax Return

Every person who is licensed under the *Excise Tax Act* is required to make a tax return covering the taxable sales for each month or other filing period, and to pay the excise taxes applicable to these sales. If no amounts have been collected or are collectible in the preceding accounting period, a *nil return* shall be filed, indicating that the eligible sales amount was zero.

Tax returns are due on the last day of the month or accounting period following the month or period end, e.g., a return for a period ending June 30 is due by July 31.

If these dates fall on a weekend or statutory holiday, payment becomes due on the business day *before* the due date.

A licensee may request permission to file tax returns based on accounting periods instead of on calendar months. For example, if your accountant completes a statement of accounts every four weeks, you may wish to choose a 28-day accounting period. These accounting periods must contain no less than 21 days and no more than 35 days. There must, however, be no less than 12 and no more than 13 periods in a calendar year. The request for accounting periods must be renewed annually by submitting a list of the payment periods for the next year, at least 90 days before the year end.

Rates

Excise tax rates are determined by absolute ethyl alcohol content by volume. Current rates for wines are:

Alcohol Content:

- not more than 1.2% — $0.0205 per litre
- greater than 1.2% but less than 7% — $0.2459 per litre
- greater than 7% — $0.5122 per litre

The *Excise Act, 2001* proposes the replacement of the existing levy on sales of wine with a production levy at an equivalent rate.

Remitting Excise Tax Payments

Excise tax on wine manufactured in Canada is payable by the manufacturer at the time when the goods are sold.

An excise tax return is filed on Form B200, Tax Return — *Excise Tax Act*, or, if the remittance is made through a financial institution or directly to CCRA, and not accompanied by a tax return, on Form B140, Excise Remittance. **The remittance form is not necessary when a payment is enclosed with a tax return filed by mail or hand delivered.**

Excise taxpayers are required to make one installment of excise tax payable by the *payment due* date, and, if necessary, an adjusting payment when the tax return is due. The *installment base* is the lesser of:

- an amount equal to tax payable in the month or accounting period, or
- an amount equal to tax payable in the last preceding month or accounting period.

The payment due date is the 21st day of the month following the accounting period, and the adjusting payment, if any, is due on the last day of the month, when the return is filed. If the due date falls on a weekend or public holiday, the due date is the business day *before* the weekend or holiday.

Payments are considered received when they arrive at the payment destination. Payments may be made at any CCRA office, the Summerside Tax Centre or at a Canadian financial institution. The date stamp of the receiving institution is considered the date received. Payments received after the due date will be assessed penalty and interest. Financial institutions accept excise tax payments only. They do not accept excise tax returns, which must be received by CCRA on or before the due date.

Detailed information on returns and payments are found in ETSL Memorandum 6.2, which is posted on the CCRA Web site.

Federal Excise Duty

Excise duty is assessed on *domestically manufactured tobacco, beer and spirits* and on *imported spirits* when they are taken into a bonded manufactory. Wines and fortified wines such as ports or sherries are not subject to excise duty as long as they contain no more than 22.9% alcohol by volume. Any winery that uses spirits in the fortification of wine must be licensed by CCRA as a bonded manufacturer.

Note: Any manufacturer making beverages that contain more than 22.9% alcohol must have a Distiller's Licence from CCRA. These products are assessed excise duty at the rate of $11.066 per litre of absolute alcohol, and proportionately for any quantity less than one litre. Liability for payment of excise duties arises at the time that spirits are distilled or when they are brought into the winemaker's inventory.

To obtain additional information on excise duty or an application form for an Excise Duty Licence, contact one of the CCRA Regional Excise Duty Operations offices listed below:

Southwestern and Central Ontario: (905) 277-6475
Eastern and Northern Ontario: (613) 998-9305

Note: Effective July 1, 2003, alcohol and wine will be subject to the *Excise Act, 2001*.

Canada Customs Duty (Tariff)

Customs duties may be imposed on materials or products that are imported from other nations. They are payable by the importer at the time of importing.

There is no customs tariff assessed against imported fruit juices or concentrates, including grape must, either natural or concentrated, whether sweetened with sugar or other sweeteners or unsweetened, or on grape juice for winemaking. This juice must have no spirits added. It may be imported in air-tight containers.

Fresh fruit in its natural state is generally free of customs tariffs. Grapes of the species *vitis labrusca*, some pears and other fruits for processing are subject to customs duties under certain conditions.

In some instances, preferential tariffs apply to fruit from specific countries. A schedule of customs tariffs for all products is available on the CCRA Web site at www.ccra-adrc.gc.ca (search for Customs Tariff under the Small Business Customs Library).

Goods and Services Tax (GST)

GST is collected on all final sales of wine.

A winery with gross sales in excess of $30,000 is required to be registered with CCRA to obtain a GST Business Number (BN). Wineries with less than $30,000 may still want to register in order to claim Input Tax Credits (ITCs) for GST paid on their business purchases.

To obtain a BN, contact the nearest CCRA office and request Form RC1, Request for Business Number. Small suppliers may register by telephone.

Businesses calculate the total GST owing, subtract the amount paid on qualifying inputs and submit the difference to CCRA. A reporting period will be assigned according to the annual taxable sales of the business (see Table 8-1). Businesses may request a shorter reporting period.

Businesses with quarterly or monthly filing periods must submit their GST returns and remit amounts owing, not later than one month after the end of each reporting period. Businesses with an annual reporting period and quarterly installments must also file and remit payment within one month of the last day of each fiscal quarter.

Businesses with less than $500,000 in taxable sales may use the simplified method for claiming ITCs. This involves adding all the eligible purchases, multiplying by 7/107, adding any adjustments and submitting a claim. Complete instructions are available in the CCRA publication, *General Information for GST Registrants* (No. RC4022E).

Ontario Retail Sales Tax (ORST or PST)

This is often referred to as Provincial Sales Tax (PST).

ORST is added to the retail price of wine at the rate of 12%. This price is added to the pricing formula by the LCBO if the wine is being sold at an LCBO store or event. Winery retail stores must also charge ORST for all sales and remit payment to the Treasurer of Ontario.

A **Vendor's Permit** is a licence to collect ORST. It may be obtained free of charge at Ontario Ministry of Finance (MOF) Regional Offices (see the blue pages of your local telephone directory or call 1-800-265-2303).

A **Purchase Exemption Certificate**, which allows the manufacturer to purchase supplies and production equipment free of the ORST, is also available from the MOF. The following classes of goods qualify for tax-free purchasing status:

- farm (orchard and vineyard) inputs;
- farm equipment;
- farm building materials;
- wine production materials; and
- wine manufacturing equipment and parts.

Table 8-2 provides a summary of forms required for tax, duty and related registrations.

Table 8-1: GST Reporting Periods

Assigned Reporting Periods and Options		
Annual Taxable Sales	**Assigned Reporting Period**	**Optional Reporting Periods**
$500,000 or less	Annual	Monthly, Quarterly
$500,000 to $6,000,000	Quarterly	Monthly
Over $6,000,000	Monthly	Nil

Table 8-2: Tax, Duty and Related Forms Required

Description	Number	Title	Place to Call
Excise Tax Licence	L15	Application for Licence under the Provision of the *Excise Tax Act*	1-800-959-8287 (877) 432-5472 www.ccra-adrc.gc.ca
	B200	Tax Return — *Excise Tax Act*	As above
	B140	Excise Remittance Form	As above
Excise Duty Licence	L1	Application for Excise Duty Licence	(905) 277-6475 (613) 998-9305
GST Business Number (BN)	RC1	Request for Business Number	Local CCRA Office www.ccra-adrc.gc.ca
GST Return	GST34E	Goods and Services Tax Return for Registrants (personalized)	As above
Vendor's Permit		Licence to Collect Retail Sales Tax	Ontario Ministry of Finance (MOF) Regional Office
Purchase Exemption Certificate	Guide No. 204	Purchase Exemption Certificate Guide	MOF Regional Office

Related Web Sites

Customs Tariffs: www.ccra-adrc.gc.ca (search Small Business Customs Library for Customs Tariff)

Excise Tax: www.ccra-adrc.gc.ca/tax/technical/etsl-e.html

Excise Duty: www.ccra-adrc.gc.ca/tax/technical/exciseduty-e.html

Goods and Services Tax: www.ccra-adrc.gc.ca

ORST Rebate on Building Materials: www.gov.on.ca/FIN/english/bkefarm.htm

APPENDIX 1 *Government Organizations*

ONTARIO

Alcohol and Gaming Commission of Ontario
20 Dundas St. W. 7th Floor
Toronto, ON M5G 2N6
(416) 326-8700
1-800-522-2876
www.agco.on.ca/

Licence applications online:
www.agco.on.ca/en/d.publications/

Liquor Control Board of Ontario
1 Yonge St., 13th Floor
Toronto, ON M5E 1E5
Category Manager—Wine: (416) 365-5859
Vintages: (416) 365-5866
Quality Control: (416) 864-6728
Pricing Administration: (416) 365-5913
Product Management: (416) 365-5860
Winery Retail Stores: (416) 864-6779
Winery Audit: (416) 864-6706
www.lcbo.com/index_eng.html

LCBO Merchandising Division
3rd Floor, Toronto Warehouse Complex
43 Freeland St.
Toronto, ON M5E 1L7

Vintners Quality Alliance Ontario
1 Yonge St., 16th Floor
Toronto, ON M5E 1E5
(416) 367-2002
www.vqaontario.com
info@vqaontario.com

Ontario Ministry of Agriculture and Food
1 Stone Rd. W.
Guelph, ON N1G 4Y2
Contact Centre: 1-800-424-1300
aginfo@omaf.gov.on.ca
Publications orders: 1-800-466-2372
www.gov.on.ca/OMAF
Office locations:
www.gov.on.ca/OMAF/english/offices/ or
See the blue pages of your local telephone directory

Farm Products Marketing Commission
Ontario Ministry of Agriculture and Food
1 Stone Rd. W. 5th Floor
Guelph, ON N1G 4Y2
(519) 826-3395
www.gov.on.ca/OMAF/farmproducts/

Ontario Ministry of the Environment
135 St. Clair Ave. W.
Toronto, ON M4V 1P5
1-800-565-4923
www.ene.gov.on.ca

Local offices:
www.ene.gov.on.ca/
Click Regional offices or see: Environment District Offices in the blue pages of your telephone directory

Ontario Ministry of Finance
(Provincial Sales Tax and Vendor's Permit)
33 King St. W.
Oshawa, ON L1H 8H5
1-800-263-7965
List of tax offices:
www.gov.on.ca/FIN/

Publications Ontario
50 Grosvenor St.
Toronto, ON M7A 1N8
(416) 326-5300
1-800-668-9938
www.publications.gov.on.ca

Ontario Ministry of Consumer and Business Services (MCBS)
Companies Branch
see:
Ontario Business Connects
MCBS Kiosks
Business Services and Licences for Unincorporated Businesses
393 University Ave., 2nd floor
Toronto, ON M5G 1E6
1-800-565-1921
www.cbs.gov.on.ca/obc

Canada-Ontario Business Service Centre
1-800-567-2345 or the blue pages
www.cbsc.org/ontario

Workplace Safety and Insurance Board
See the blue pages for location of local offices
www.wsib.ca

WSIB Agricultural Office
1 Stone Rd. W.
Guelph, ON N1G 4Y2
(519) 826-4658
1-888-259-4228

CANADA

Canada Customs and Revenue Agency (CCRA)
(Customs and Excise Branch)
Special Levies Division
Summerside Tax Centre
275 Pope Rd.
Summerside, PEI C1N 5Z7
www.ccra-adrc.gc.ca
Project Officer: (613) 954-6708
Excise Duty:
Southwest and Central: (905) 277-6475
Eastern and Northern: (613) 998-9305
GST:
Regional Office, see blue pages

Canadian Food Inspection Agency (CFIA)
Manufactured Food Division
401 Champagne Dr., Unit 1
Toronto, ON M3J 2C6
(416) 954-0623
www.cfia-acia.agr.ca
Food Label Service:
1-800-667-2657

CFIA-AAFC Ontario Division
174 Stone Rd. W.
Guelph, ON
N1G 4S9
(519) 837-9400

APPENDIX 2 *Industry Organizations*

Ontario Grape Growers' Marketing Board
P.O.Box 100
Vineland, ON L0R 2E0
(905) 688-0990
www.grapeandtenderfruit.com/grape/
grapeont@vaxxine.com

Ontario Tender Fruit Producers' Marketing Board
P.O. Box 100
Vineland, ON L0R 2E0
(905) 688-0990
www.grapeandtenderfruit.com/tenderfruit/

Wine Council of Ontario (WCO)
110 Hanover Dr., Suite B205
St. Catharines, ON L2W 1A4
(905) 684-8070
www.wineroute.com
wcinfo@wineroute.com

Wine Route Ontario
Contact: WCO

Fruit Wines of Ontario
www.fruitwinesofontario.com
jwarren@fruitwinesofontario.com
(905) 383-3982

Smart Serve Ontario
5405 Eglinton Ave. W.
Unit 106, Box MM7
Toronto, ON M9C 5K6
(416) 695-8737
www.smartserve.ca
general@smartserve.ca

Canadian Vintners Association
440 Laurier Ave. W., Suite 200
Ottawa, ON K1R 7X6
(613) 782-2283
Fax: (613) 782-2239
www.canadianvintners.com
info@canadianvintners.com

Electronic Commerce Council of Canada
885 Don Mills Rd., Suite 301
Toronto, ON M3C 1V9
(416) 510-8039
1-800-567-7084
Fax: (416) 510-8043
www.eccc.org
info@eccc.org

APPENDIX 3

Educational Institutions

Cool Climate Oeniculture and Viticulture Institute
Brock University
500 Glenridge Ave.
St. Catharines, ON L2S 3A1
(905) 688-5550
www.brocku.ca/ccovi/

Niagara College
Niagara College Teaching Winery
Winery and Viticulture Technician Program
Glendale Campus
135 Taylor Rd.
Niagara-on-the-Lake, ON L0S 1J0
(905) 641-2252 ext. 4076
www.winedec.com
www.niagarac.on.ca

www.gov.on.ca/omaf

Ontario